FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,424 — Monday September 17 1984 — D 8523 B

Airbus finds a new home, Page 14

NEWS SUMMARY

GENERAL

Andhra Pradesh blow to Gandhi

Former film star N.T. Rama Rao was reinstated as Chief Minister of Andhra Pradesh, southern India, in the capital Hyderabad – a severe political blow to Indian Prime Minister Indira Gandhi.

He was dismissed by the state governor a month ago but his successor, Mr Bhaskar Rao, never had a majority in the legislature after there was a split in the ruling party.

Plans by Mrs Gandhi to replace governments in states where her Congress (I) Party is not in power have suffered a setback with Mr Rama Rao's reinstatement. He now has a month to prove he has a majority. Page 3.

Americans held

The U.S. Coast Guard and State Department said that the Soviet Union was holding five Americans whose boat went missing in the Bering Strait between Siberia and Alaska.

Hijackers shot

Iraqi security agents shot dead three Iranians who tried to hijack an Iraqi aircraft flying from Cyprus to Baghdad with 110 passengers aboard.

Ship hit in Gulf

Liberian-registered 60,655-ton tanker Med Heron was hit by a missile in the Gulf, in an apparent resumption of Iranian attacks. Bulk carrier Pan Crystal reported being bombed.

West Germans upset

West German Foreign Minister Hans-Dietrich Genscher told the Italian ambassador that deep offence had been caused by Italian Foreign Minister Giulio Andreotti's expressed rejection of a unified Germany and use of the term Pan-Germanism. Page 2

Drivers block border

Nearly 1,000 lorry drivers blocked the Swiss-Italian border crossing at Chiasso, saying Italian customs officers worked too slowly.

Frankfurt fare row

British Caledonian has protested to the UK Government over the West German refusal to allow it to cut Gatwick-Frankfurt fares today.

Gromyko date

U.S. Democratic presidential candidate Walter Mondale will meet Soviet Foreign Minister Andrei Gromyko in New York on September 27. Page 16

Giscard's comeback

Former French president Valery Giscard d'Estaing, 58, who has been out of national politics for more than three years, stands for the National Assembly next Sunday in a by-election in his old constituency in the Puy de Dome department.

Bonner to appeal

Yelena Bonner, wife of Soviet dissident Andrei Sakharov, is to appeal against a sentence of five years internal exile for anti-Soviet activities, dissident sources said.

Concert hall fire

Fire severely damaged the Victoria Hall, given to the city of Geneva by Britain's Queen Victoria at the end of the last century.

More Kuwait Mirages

France is to deliver to Kuwait 13 Mirage fighter aircraft, starting in December. Kuwait already has 19.

Prince Henry

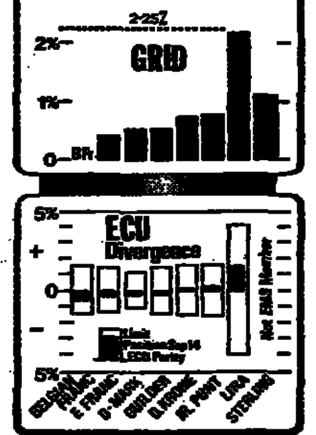
Prince Charles and the Princess of Wales returned home to Kensington Palace with their new-born son, named Henry Charles Albert David. The child, born on Saturday, is third in line to the British throne.

BUSINESS

Dome to miss debt package deadline

CANADIAN energy group Dome Petroleum has told its lenders it cannot meet the October 5 deadline set for a C$350m (U.S.$270m) share sale, part of its C$5.2bn debt rescheduling. Page 18

THE DOLLAR'S continued strength attracted most of the attention last week, leaving the European Monetary System to trade quietly. Continued weakness of the D-Mark against the dollar enabled some banks of weaker member currencies to increase their holdings of foreign currencies, while the Belgian authorities made a further reduction in short-term rates. Today marks the introduction of revised weightings used to calculate the European currency unit. These will include the Greek drachma for the first time.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

ITALY'S state-owned Banco di Roma achieved only a marginal increase in profits in the first half of 1984, to L17.3bn ($9.4m) from L16.1bn a year earlier, because of reduced interest rate margins. Page 18

NEW ZEALAND has awarded the mandate for a $1.5bn, seven-year credit to Citicorp, Bank of Tokyo and Lloyds International. Page 17

CHINA and Bulgaria have signed an economic co-operation pact in an extension of Peking's growing trade and technical links with East European countries.

U.S. American Express cardholders in France will be able to draw cash from automatic cash dispensers from January in a deal announced yesterday with Credit Lyonnais. The facility will be extended to other cardholders, including the French, later.

ST REGIS, the U.S. forest products group that last month fought off a takeover bid from Mr Rupert Murdoch, the Australian publisher, has dropped its $590m bid for Colonial Penn, the Philadelphia-based insurance group. Page 18

SCHELDE CHEMIE Brunsbuettel, the Swiss-German chemicals group, is to cease production at its dyestuff materials plant in northern Germany. Page 18

BARCLAYS BANK plans to sell its majority stake in independent Finans, Swedish leasing company, in a deal which could total SKr 100m ($12m). Page 13

RECORD European harvests and the strength of the dollar could result in the dropping of EEC grain subsidies and a cereals export war with the U.S. Page 16

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition. Story, Page 10

UK compromise eases way for EEC budget deal

BY QUENTIN PEEL AND BRENDAN KEENAN IN CO. CLARE, IRELAND

EUROPEAN Community finance ministers yesterday took a big step towards solving the EEC's budget crisis by agreeing on the broad outlines of a package of measures to curb spending, particularly on the Common Agricultural Policy (CAP).

The progress came after Mr Nigel Lawson, the UK Chancellor of the Exchequer, withdrew his previous demand that the budgetary discipline package should be imposed as a formal EEC regulation, insisting only that it should be made "effective."

In return, the other EEC members agreed in principle that a "claw-back" system could be introduced, by which any overspending on agricultural policies in one year would have to be repaid by corresponding decreases in following years.

"We are all agreed we have made some very substantial progress," Mr Alan Dukes, the Irish Finance Minister and chairman of the informal meeting at Dromoland Castle in Co Clare, Ireland, said.

Irish proposals for a compromise between the strict British demand for controls and the desire of France and other big agricultural producers for a more flexible system had been "well received" and constituted a "significant advance in the area of budgetary discipline," Mr Dukes said.

Mr Lawson said the meeting had "come very close to a satisfactory implementation" of the agreed EEC aim of keeping the growth in CAP spending below the overall growth rate of the EEC budget, thus gradually switching resources away from agriculture.

The finance ministers agreed to bring forward the date of their next meeting from October 15 to October 1 to meet the deadline of reaching a budget agreement in time for the European Parliament to approve the spending before the EEC runs out of money at the end of that month. A budget for the whole of 1985 also has to be submitted in October, to be ratified by the end of the year.

Mr Lawson held out the prospect of provisional agreement being reached on all the other outstanding budget issues by foreign ministers in Brussels today, with the whole package being finalised on October 1.

The essence of the curb to spending would be the fixing of a spending ceiling before March 1 each year – before agriculture ministers agree on new farm prices – which will then have to be respected by all the different councils of ministers.

If any council then approves a policy which would break the budget ceiling, the decision would automatically be invalid unless formally sanctioned by the finance ministers.

If the ministers do agree to exceptional increases in farm spending in any year, the agreement would provide for corresponding decreases – the so-called claw-back – over the next two year. Mr Lawson said such a system had been agreed in principle, requiring only to be outlined in detail by a high-level group of officials.

Britain's willingness to back down on its demand for legally binding controls on spending is conditional on guarantees that the new measures will be effective. Mr Lawson said it was essential that they be endorsed by the European Council and be seen to bite.

Continued on Page 16

Ecu formula approved, Page 2; Dollar aids EEC grain exports, Page 16; World Economy survey, Section III

Argentina overdue on $750m debt payment

By Peter Montagnon in London

ARGENTINA is now technically overdue on a $750m debt payment owed to its commercial bankers.

This follows the failure of leading bank creditors to respond to a request from Argentina that the payment deadline (last Saturday) should be deferred. Instead the committee of leading creditors advised participants in the loan that interest on the overdue payment would be accrued on a daily basis pending resolution of the problem.

The overdue payment represents the balance of a $1.1bn bridging loan granted Argentina last year by its commercial bank creditors. Repayment has already been extended several times. This time leading banks balked at the idea of a further extension because of Argentina's continuing failure to reach agreement with the International Monetary Fund (IMF) on an economic stabilisation programme.

Argentina's request for a new deferment was further complicated by the fact that not all banks have yet formally agreed to the last extension of the loan which called for payment on Saturday. Leading bankers have also told Argentina of their growing concern over interest arrears, which are expected to total about $1bn by the end of this month.

In talks last week the bankers are understood to have flatly rejected Argentina's request that the $750m payment be deferred for three months, but bankers say this need not have precluded a recommendation to roll the loan over on a daily or monthly basis.

The bankers also turned down an Argentine Economy Ministry request for a $1bn drawing on the $1.5bn medium-term loan that was arranged for Argentina last year.

At the weekend bankers said the $750m payment was now "in limbo," although there was no special concern over this point. A similar situation arose earlier this summer when an extension could not be agreed in time for a payment deadline.

Last week's talks also confirmed the intention of banks to take a tougher stand with Argentina because of its failure to reach an IMF agreement. They said they were sceptical of Argentina's claims that progress had been made in talks with the IMF.

A new strategy now emerging in the banking community is to steer attention away from mini-crises with Argentina as each payment deadline looms.

World Bank's future, Page 2; Supervising international banks, Page 16

Peace hopes rise in GM pay dispute

BY TERRY DODSWORTH IN NEW YORK

NEGOTIATIONS on a new three-year wage contract in the U.S. motor industry appeared to be heading for agreement last night after about a sixth of the 350,000-strong workforce at General Motors, the industry's largest car manufacturer, had been pulled out on strike over the weekend.

Union negotiators were giving strong hints yesterday afternoon that they expected to reach a settlement which met most of their requirements on the two key issues of job security and wages.

The indications are that GM will agree to a wages package which includes some element of annual increases, combined with automatic cost-of-living rises and profit sharing.

In addition, sources in Detroit said that the company would give commitments on reasonable job security.

The strike move was made at midnight on Friday, as the deadline for talks on a new wages contract with the company ran out without agreement. Within hours, however, union negotiators plunged back into talks, saying that progress was still being made on some key issues.

"Throughout these negotiations, we have bargained to avoid a strike," the union said in a statement. "By reserving action on a national work stoppage, we have again demonstrated our good faith to settle our differences with General Motors."

The selective strike weapon has rarely been used by the union in the post-war era. Its use in the current negotiations is being seen as an indication of the union's reluctance to incur the public relations damage which could be associated with a national dispute when car workers are under criticism for the high level of wages and prices in the industry.

The 13 plants selected for the stoppage are virtually all involved in assembling the best-selling models in the GM range, including the Pontiac, Fiero and Chevrolet Corvette sports cars, and a number of highly profitable luxury vehicles.

With GM's inventories currently at low levels, the walkout could bite very swiftly. But at the same time the union has avoided hitting components plants, where stoppages could have a longer and more far-reaching effect and where GM is known to be planning closures.

Mr Owen Bieber, president of the United Auto Workers, said that the issues in contention had been narrowed down to job security and wages.

The union is believed to be fighting for larger concessions on job

Continued on Page 16

British dockers' strike could end this week

BY DAVID GOODHART AND JOHN LLOYD IN LONDON

BRITAIN's national dock strike is likely to be called off later this week after an agreement yesterday over the issue which caused the dispute.

The strike - the second in the UK docks this year - began three weeks ago when British Steel used its own labour to unload a coal ship which dockers had refused to handle in support of striking miners. But the Transport and General Workers Union (TGWU), which called the strike, has been unable to make it fully effective and many ports have stayed open.

Yesterday's agreement came after talks between British Steel, the TGWU and the Clyde port authority. The coal ship, the Ostia, had been berthed at British Steel's Hunterston terminal on the Clyde, west Scotland.

The agreement was over the use of non-union labour at Hunterston and in reality amounts to something of a climbdown by the union.

After the five hours of discussions, Mr John Hardie, acting Scottish dockers' leader, said: "I don't think non-union boatmen will be used again at Hunterston." He admitted, however, that he had won no guarantees on the future use of non-union labour, only "assurances."

Dockers, tugmen and boatmen at Hunterston in support of the striking miners, had sought to restrict the supply of coal to British Steel's Scottish plant at Ravenscraig. They were seeking a "quota" of about 18,000 tonnes of coal a week, as opposed to British Steel's insistence on 22,500 tonnes.

There was an agreement last week between the TGWU and the Iron and Steel Trades' Confederation, the steelworkers union, on a phased acceptance of 22,500 tonnes. That was accepted with some reluctance by British Steel, which only left outstanding the problem of the 12 TGWU boatmen at Hunterston who, during the dispute, had been replaced by employees of a non-union mooring company.

British Steel has now agreed to reaffirm an agreement of May 16 which in effect ensures that the TGWU boatmen return to their old jobs. But the state-owned corporation was also stressing that the existing long-standing arrangements, which allow for the use of non-union labour in certain circumstances, still applied.

Continued on Page 16

Lombard, Page 15

Schlumberger to pay $1bn for Sedco

BY TERRY DODSWORTH IN NEW YORK

SCHLUMBERGER, the Franco-American oil services group, has agreed to buy Sedco, a Dallas-based offshore drilling company, for $1bn in cash and shares.

The deal comes after a period of severely depressed profits at Schlumberger, which has been hit hard by the recession in the world energy industry. The acquisition is seen by analysts as a move to strengthen the company's position in the deep-water rig business. Sedco is regarded as the market leader in operations in hostile environments.

Sedco shareholders will be offered an option to take either Schlumberger stock or $48-a-share in cash. Sedco's share price had risen $3⅜ on Thursday to $37⅞, and on Friday shot to $46 as the agreement was announced.

Schlumberger is virtually certain of clinching the deal, since Sedco directors have promised to vote 21 per cent of their own stock and grant an option on a further 18.5 per cent of the Sedco equity.

The oil services group has agreed to drop the offer, however, if its share price, which stood at $46⅝ on Friday, falls below $36 shortly before the merger. The terms state that 55 per cent of the total consideration will be in Schlumberger shares, each of which will be exchanged for a minimum of 0.56 and a maximum of 1.04 Sedco shares, depending on the market value of Schlumberger's stock before the transaction is finalised.

Schlumberger is the world leader in oil well testing and sealing technology, but has recently been diversifying more heavily into the measurement and controls industries. A few years ago it moved into semiconductor manufacturing with the acquisition of Fairchild.

Ministers bid to clear way for new multilateral trade talks

BY ANDREW WHITLEY IN RIO DE JANEIRO

TRADE and economy ministers from 15 Western industrialised and developing countries yesterday began two days of informal talks in Rio de Janeiro in a bid to unfreeze the ice steadily spreading over international trade.

The meeting represents the most significant effort so far to achieve a consensus between leading trading nations. It could pave the way for a decision next year to launch a multilateral round of trade talks.

A preliminary meeting between most of the same participants took place in Washington in May. Officials were yesterday hoping for substantial progress from the Rio de Janeiro talks.

Mr William Brock, the U.S. Special Trade Representative, said there was a "prospect of very real progress" in identifying trade areas where multilateral and bilateral action could be taken.

He defended the U.S. contribution to trade liberalisation, arguing that the U.S. was responsible, through its deficit, for over 50 per cent of the growth in world trade. Mr Brock said that the U.S. was currently taking half the developing world's exports of manufactured goods.

Sr Tarcisio Marciano da Rocha, head of the Brazilian Finance Ministry's international department, said yesterday the talks would deal with the questions of trade safeguards and the proliferation of restrictive financial agreements.

He noted that the countries represented were responsible for 95 per cent of the Western world's trade. The number of participants had been limited to only a small number of top officials to allow progress to be made.

A key concern in this latest attempt to revive multilateral trade talks is to satisfy developing countries that they will benefit too. Western officials feel the choice of Brazil as host country is politically important.

Exports have been growing rapidly as a proportion of Brazil's gross domestic product and have played a major role recently in transforming its balance of payments position. The Brazilians still complain, however, about the extent to which they suffer from protectionism in the industrialised world.

Bilateral talks on issues such as the clampdown on Brazilian steel exports to the U.S. are also being held in Rio de Janeiro and Brasilia, around the main trade conference. The U.S. and West Germany have both already taken the opportunity to try to resolve current problems.

One senior Western official said this closed-door, ministerial conference could be the last opportunity before November – when the 90 contracting parties to the General Agreement on Tariffs and Trade (Gatt) hold their annual meeting – to make progress. Some of the trade issues have been deadlocked since the breakdown amidst widespread disagreement of the last Gatt multilateral round of talks in November 1982.

"If there is no sign of progress by November, we'll be hanged for another year," she said. Priority issues were said to include agriculture, services and the grey area of neo-protectionism.

Among those present at the conference are Mr William Brock, the U.S. Special Trade Representative, Herr Wilhelm Haferkamp, Vice-President of the European Commission, Mr Hikosaburo Okonogi, the Japanese Minister of International Trade and Industry, and Herr Martin Bangemann, the recently-appointed West German Economy Minister.

Gatt is being represented by Mr Arthur Dunkel, its director-general.

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OVERSEAS NEWS

THE WORLD BANK ANNUAL REPORT

More growth needed to cope with debts

BY STEWART FLEMING IN WASHINGTON

WIDE DISPARITIES in the current economic performances of developing countries in different regions of the world, and the "strains in the international structure of trade and payments" are main concerns in the annual report of the World Bank, released today.

Like the International Monetary Fund, which released its annual report last week, the bank leaves no doubt that it is worried about what it sees as imponderables in the future development of the debt crisis.

These include the prospect for a fall in interest rates and sustained (albeit moderate) growth in the industrial countries during the rest of the 1980s – key requirements in any projection that the crisis will remain "manageable."

There are significant differences of emphasis between the views of the two institutions. But officials of the bank and of the IMF have made clear in recent days that economic growth more rapid than expected in the industrial world this year is just one of several favourable developments which have helped to brighten the medium-term economic outlook for developing countries.

This faster expansion, primarily due to the fast growth in the U.S., has contributed to a more rapid rise of exports by developing countries and to stronger commodity prices. So, according to IMF estimates, there is anticipated a reduction in the current account deficit in the non-oil-exporting developing countries, to $45bn this year ($53bn in 1983). This has slightly reduced the developing world's requirements for finance from abroad.

DEVELOPING COUNTRIES CHANGES IN OUTPUT

	1980	1981	1982	1983	1984*	1985*
Africa †	3.0	1.7	1.3	0.8	3.2	3.5
Asia	5.5	5.0	4.5	7.0	6.6	5.8
Europe	1.5	2.3	1.7	0.9	2.2	2.8
Middle East	6.8	7.3	4.3	3.0	4.8	4.5
Western Hemisphere	4.7	2.0	−0.5	–	2.1	3.1

* Forecast
† Excludes South Africa
Source: IMF

This growth has also allowed many developing countries to move from what is termed the "import compression" phase of their austerity programmes – when in order to conserve finance, imports have had to be cut to the bone – to an "export expansion phase."

In doing so, they are able to achieve higher rates of growth.

The great differences in the performance of various countries and regions of the world is spotlighted by the World Bank and the IMF. Even on what they term "optimistic" assumptions for real growth in industrial countries during the rest of the decade – of 3 to 4 per cent – World Bank officials dealing with Latin America are not expecting per capita income in the region to recover to 1979 – 80 levels until the end of the 1980s. In 1984, the economies of developing countries in the Western hemisphere are expected to grow by about 1 per cent compared with nearly 7 per cent for the Asian region, according to IMF estimates. This underlines the size of differences between regions. The IMF is assuming in its base scenario a real growth of 3¼ per cent in industrial countries during the rest of the decade.

Nevertheless, the more rapid overall growth in developing economies is another factor which has helped to brighten the immediate debt outlook.

Even so, the World Bank says in its annual report that, *looking further into the future*, there are "serious concerns in several areas."

One is the increase in international interest rates this year. IMF has estimated that the rise by two percentage points in U.S. interest rates could add $8bn to the annual net interest charges of the non-oil exporting countries in the developing world. A decline in interest rates in the second half of the decade, which the IMF believes will not be realised without the support of fiscal policies in the industrial countries, is one of the key assumptions required in a projection that developing countries' debt problems will be "manageable."

Another concern stems from continued moderate growth in the industrialised world.

The World Bank expresses concern in its annual report about the way in which such priorities as conserving foreign exchange and capital resources have stalled the momentum of economic development. Resources have been shifted into energy and the rehabilitation of economic infrastructure, at the expense of starting new projects and investment in the social sector, which are vital to longer term economic development.

Pressure for talks on debts

By Jimmy Burns in Mar del Plata

LATIN AMERICAN debtor nations attending a major economic summit in Mar del Plata yesterday had apparently agreed to press for a high level meeting with Western governments in the first half of 1985 as they finalised a joint declaration calling for concrete measures to ease the $350bn debt problem.

By late yesterday afternoon Economy and Foreign ministers from 11 Latin American countries – Argentina, Bolivia, Brazil, Venezuela, Uruguay, Peru, Mexico, Ecuador, the Dominican Republic, Chile and Colombia – were still locked behind closed doors in an hotel after four days of gruelling talks at preparatory and official levels.

In the course of the day, however, individual officials from several countries privately confirmed that moderates and hard-liners within the grouping of Latin American countries had apparently overcome their divergent views on the feasibility of setting a definite time frame for such a meeting with Western governments.

W. German protest at Andreotti call for two Germanys

BY JAMES BUCHAN IN BONN

THE ITALIAN Government attempted yesterday to smooth West German feather seriously ruffled at remarks by Sig Giulio Andreotti, the Italian Foreign Minister, calling for the permanent division of Germany.

Sig Bettino Craxi, the socialist Italian Prime Minister, sent a message yesterday to Chancellor Helmut Kohl in Bonn assuring him of Italy's "highest respect for the principles and ideals inspiring the Federal Republic of Germany."

But Sig Craxi did not refer to the statement by his Christian Democrat colleague, at a communist meeting on Thursday, that "Pan-Germanism must be overcome. There are two German states and there should stay two."

Herr Hans-Dietrich Genscher, the West German Foreign Minister, summoned the Italian ambassador to the Ministry early yesterday morning to protest against the "serious insult" in the remarks and to remind him that West Germany is constitutionally committed to German unity "through free self-determination."

Bonn is particularly upset at the use of the term "Pan-Germanism" which is associated with the Third Reich's attempts to bind all German-speaking peoples in a single state, and the timing of the remarks.

The Kohl Government is under intense attack in the Soviet press allegedly for seeking to regain German eastern territories and interfering in the affairs of East Germany.

Bonn officials surmise that Sig Andreotti might have been seeking communist support for his presidential candidacy next year.

The two foreign ministers are likely to have words together at the European council meeting in Brussels today.

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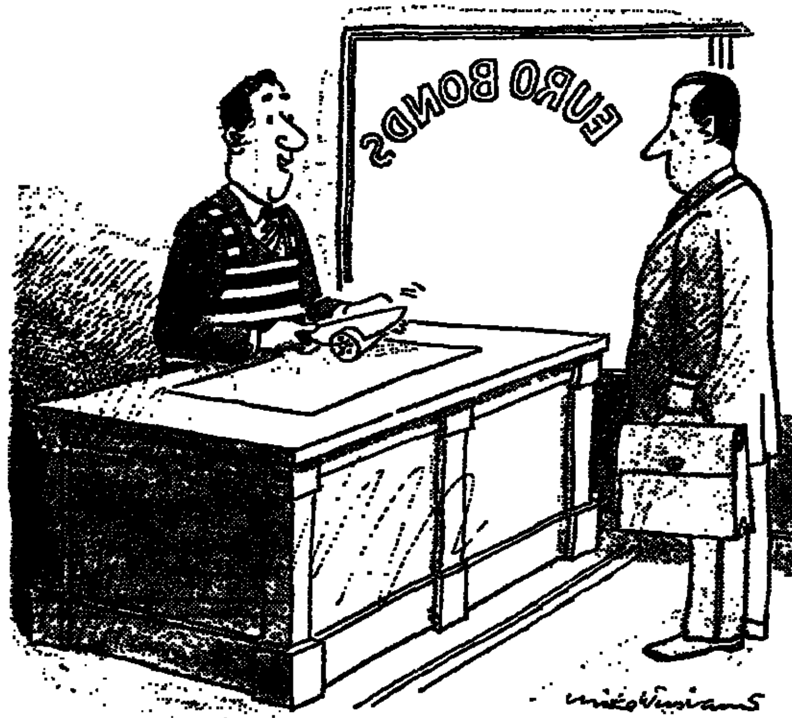

Since April 16 1984 the Eurobond market is no longer the privilege of the large and professional investors. On that date the Amsterdam Stock Exchange started the Eurobond market for odd-lots, with daily price and volume publication.

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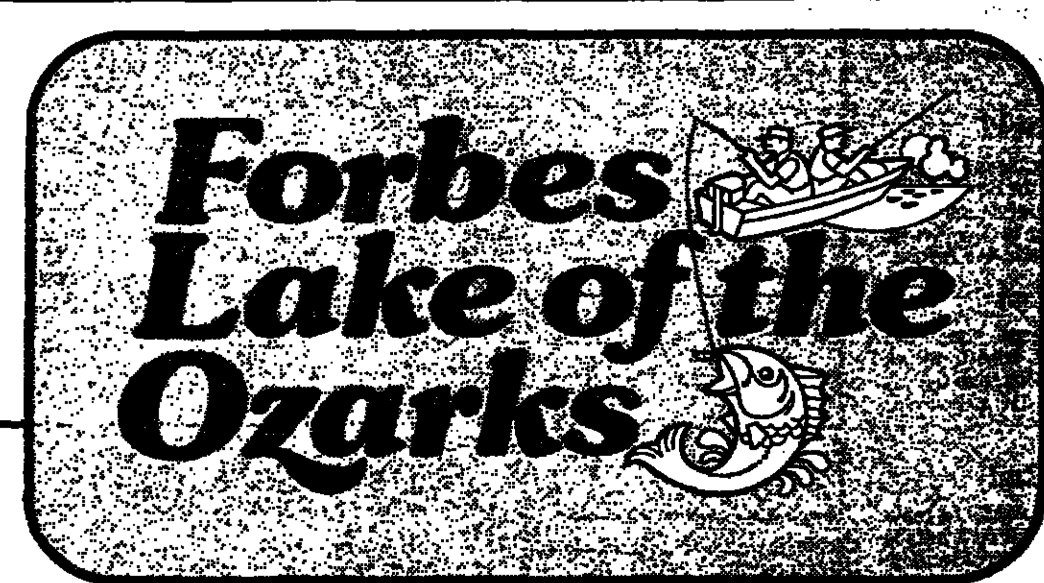

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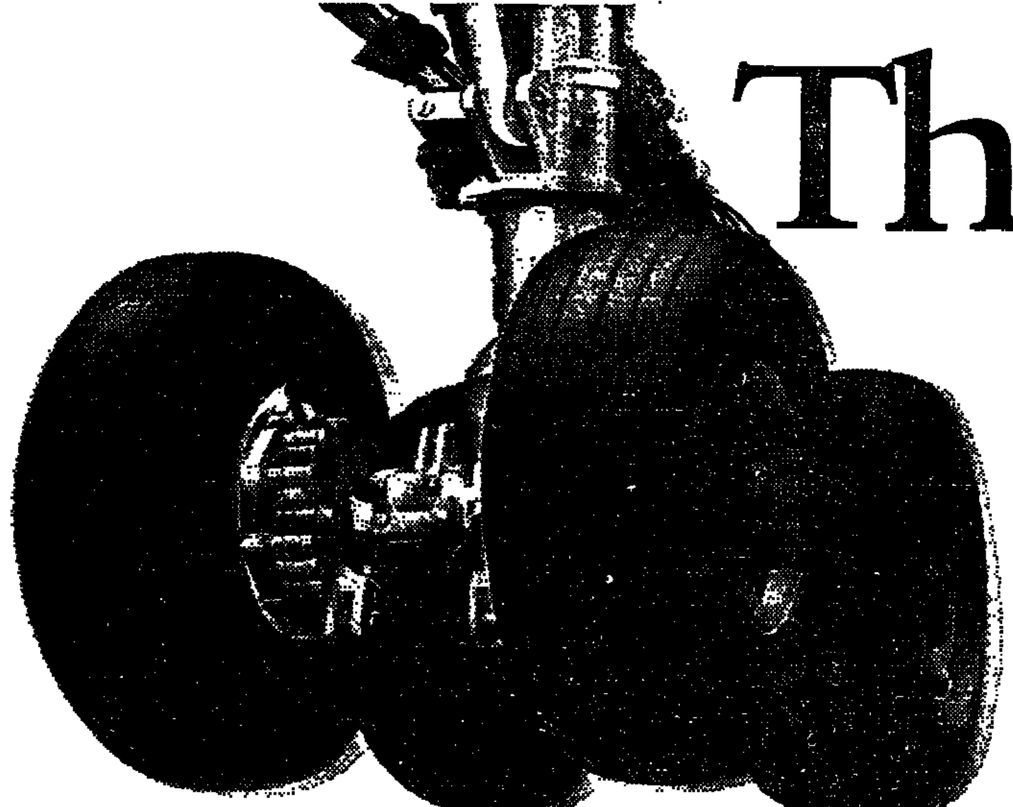

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Rama Rao reinstated as chief minister in Andhra Pradesh

BY K. K. SHARMA IN NEW DELHI

THE ANDHRA PRADESH imbroglio ended as dramatically yesterday as it had begun exactly a month ago when the ousted chief minister, Mr N. T. Rama Rao, was again sworn in to the post at the head of a 10-member Government.

The reinstatement of Mr Rama Rao is a major blow for Mrs Gandhi since it is widely believed that her plans to replace governments in states where her Congress (I) Party is not in power have suffered a resounding setback. Her only success in replacing a non-Congress (I) chief minister has been in Kashmire where Mr Farooq Abdullah has been dismissed.

The status quo in Andhra Pradesh was restored when the governor, Mr Shankar Dayal Sharma, called in Mr Bhaskar Rao, who replaced Mr Rama Rao as chief minister after defecting from the Telegu Desam Party a month ago, and told him that he had failed to establish that he had a majority in the legislature.

Mr Bhaskara Rao had been given a month to prove he had a majority by Mr Ram Lal, the former governor, who dismissed Mr Rama Rao when the ruling Telegu Desam Party split. Mrs Indira Ghandi's Congress (I) supported the breakaway faction led by Mr Bhaskara Rao.

Mrs Gandhi was widely and bitterly attacked for what was considered to be an undemocratic attempt to achieve power. India's sharply divided opposition parties united to condemn the Prime Minister and launched a countrywide movement against her party.

Public opinion turned quickly against Mrs Gandhi and Mr Bhaskara Rao when three attempts to hold a session of the Andhra Pradesh legislature last week were blocked by rowdy members who prevented a vote on a motion of confidence in Mr Bhaskara Rao.

The Speaker in the legislature resigned at the end of the third day and the new speaker announced that the legislature would meet on September 20 for the test of strength. Events yesterday suggest that the meeting will now be postponed.

It is now clear that Mr Bhaskara Rao never had a majority.

Soon after the dismissal, Mr Rama Rao paraded 162 out of the legislature's 294 members before the Indian President in New Delhi and nearly all of them are thought to have stood by him

Tamil rebels threaten to step up attacks on army

BY JOHN ELLIOTT IN MADRAS

LAND MINES have been placed on all major roads used by the army in the northern and eastern parts of Sri Lanka, according to Tamil guerrillas.

Leaders of the Tamil 'Tiger' separatist organisation say they will detonate the mines if army convoys attempt to pass.

Just a week ago nine soldiers were killed in a land mine explosion. Over 15 civilians were killed th efollowing day when a bus was hijacked in retaliation.

The escalation of guerilla activity is of increasing concern for the Sri Lankan Government.

At the end of last week the Government announced that financial resources are to be switched from development projects in the Tamil areas to defence spending, which is expected to rise from Sri Lankan R2.5bn a year (£80m) to R3bn in the annual budget due in November.

Although defence spending will still be a tiny proportion of Sri Lanka's Rs 60bn annual public spending, the increase is significant for an island which has kept its defence expenditure low.

The decision is politically significant because the island's majority Sinhalese community are pleased that it is the development projects in Tamil areas which are to be cut.

Meanwhile, pressure is building up for the Indian Government to intervene to protect Tamil civilians from the sort of violence that killed the bus passengers last week.

A civil rights organisation called Proteg called yesterday in Madras for India to "take direct military action" to save the Tamils of Ceylon (Sri Lanka) from genocide."

Proteg alleged that troops were carrying out reprisals. It listed 12 attacks between March and August in which it alleges police and troops killed 191 people and injured nearly 100 others.

Along with several Tamil guerilla organisations, Proteg has its headquarters in Madras, capital city of the southern Indian state of Tamil Nadu whose people have direct links with Tamils in Sri Lanka.

Mr Samuel Chandrahasan, a Sri Lankan lawyer who heads Proteg, said India should invade the main Tamil areas of the northern and eastern parts of the island, the central hill areas where a separate community of Indian Tamils work on tea and rubber plantations, and the Colombo area.

He intends to lobby the Indian Government and opposition parties which, he believes, are beginning to see the need for India to do more. India has concentrated on diplomatic initiatives so far.

Agreement near in S. Africa mine talks

By Jim Jones in Johannesburg

ELEVENTH HOUR weekend talks aimed at averting a strike by black employees on eight South African gold mines appeared to have succeeded yesterday.

However, by early evening it was not clear if the all-black National Union of Mineworkers (NUM) could or would avert the work stoppage planned to start with last night's late shift.

The eight gold mines were brought to the brink of stoppage following a week-long ballot which indicated that over 60 per cent of the mines' black workers favoured strike action as a means of resolving a three-month dispute over wages and working conditions.

The NUM, whose moderate leadership is reluctant to test its strength by strike action, used the ballot to call for renewed talks with the employers co-ordinating body, the Chamber of Mines.

Earlier talks had broken down when the NUM, which claims to represent 90,000 of South Africa's half million black gold and coalmine workers rejected the Chamber's offer of a 14 per cent average increase in basic wages and improvements in conditions. The union has been demanding a 20 per cent increase.

The Chamber has improved its earlier offer by agreeing to increase holiday pay allowances. This could provide the NUM's leadership — which needs to prove its negotiating power to militant union members — with the face-saving formula needed to call off the planned strike.

Late Sunday afternoon the NUM leadership contacted its members at the threatened mines in the Orange Free State, West Rand and Klerksdorp gold fields to determine their reaction to the Chamber's final offer.

In Johannesburg yesterday the Chamber of Mines made clear that the improved holiday pay package was its final offer. "The ball is now in the NUM's court," a Chamber spokesman said.

NUM general secretary Cyril Ramaphosa was reluctant yesterday to predict the response of his union's members.

However, the union executive is reluctant to call a strike which could result in the dismissal of striking workers. The union is also under pressure because it does not have a strike fund.

Botha names Cabinet

South African president P. W. Botha has appointed the country's first non-white cabinet ministers, Reuter reports from Cape Town. Mr Botha named coloured Labour Party leader Allan Hendrickse and Amichand Rajbansi of the Indian National People's Party as ministers without portfolio.

Beirut may set up merchant bank

BY RICHARD JOHNS

THE LEBANESE Government is considering the establishment of a "giant merchant bank" supported by loans at concessional rates to assist the recovery of the private sector, according to Dr Selim Al Hoss, Minister of Labour and Education.

An institution with a capital of Leb£5bn (£554m) is envisaged with the state providing Leb£1bn and the balance coming from other sources particularly Arab aid funds, Dr Hoss told a conference on the Lebanese economy organised by the EMF Foundation at the weekend.

The aim would be to help companies suffering from grave liquidity problems or even threatened with insolvency because of direct material damage arising from the fighting in Lebanon over the past nine years or the general paralysis affecting many industries.

The need for such a bank is believed to be urgent but no move towards its creation is expected before early 1985 when the upper echelons of the Banque du Liban should have been strengthened.

Mr *Michel Khoury*, the present governor, has had his tenure, which expired at end August, extended until the end of the year but the three governors' posts all remain vacant and to be filled.

Under the plan being discussed the prospective merchant banking institution would take over dubious debts from the commercial banks and also inject equity investment into enterprises.

Dr Hoss believes that "the rise of real estate values brought about by the crisis conditions and attendant inflation may, if properly capitalised on, provide potentially powerful leverage."

"The key question is how to liquefy the appreciation in real estate values realised within the business sector in order to offset crippling financial claims and/or finance the rehabilitation of beleaguered enterprises."

Realisation of real estate values could help settle claims and forestall maturities, the thinking goes. The proposed institution would be able to acquire assets pledged as collateral for a delinquent credit at a fair current price.

A limited lifespan of ten to 15 years is envisaged.

Lebanon's Council for Reconstruction and Development has put the basic cost of rehabilitating the economy at $15bn ([illegible]). The figure is broken down as follows: $2bn for Beirut's commercial centre; $4.5bn for housing projects including 200,000 units required as soon as possible; $1bn for adequate water supplies; $1bn for sewage; $1bn for telecommunications; and $5bn for other infrastructure projects, including roads, schools and training centres.

Because of the drastic shortfall of revenue compared with budget predictions, the government looks as though it will be badly short for cash. Interest on the domestic debt now accounts for 30-35 per cent of receipts, according to Dr Nasser Hassan Saidi, advisor to the Banque du Liban.

Also taking part in the conference were Mr Victor Cassir, Minister of National Economy and Industry, Mr Adnan Kassar, president of the Beirut Chamber of Commerce, Industry and Agriculture, Mr Midi Nammar, Mayor of the City of Beirut, Dr Joseph Torbey, director at the Ministry of Finance. About 150 businessmen from 24 countries attended.

New parties to dominate Moroccan parliament

BY FRANCIS GHILÈS

THREE RECENTLY formed parties who all share unswerving loyalty to King Hassan and have almost identical policies favouring a liberal economic system appear set to dominate Morocco's new parliament after winning 108 out of 204 seats in last Friday's general election.

Of the new parties, the Constitutional Union, founded by former Prime Minister Maati Bouabid 18 months ago, won 48 seats. Of the two older parties, the conservative Istiqlal, which is led by the former minister of foreign affairs, M M'Hamed Boucetta lost more than half the 50 seats it held in the previous parliament. The Union Socialiste des Forces Populaires (USFP), which has had stormy relations with the Royal Palace over the years, doubled its number of seats to 28.

Two Communists were returned including the leader of the party, Mr Ali Yata, who is a friend of the King.

The first Jewish member of Parliament since independence, M Jo Ohanna was elected under the banner of the Constitutional Union in Essaouira, for many centuries a great centre of Jewish activity.

The turnout for the general elections, the first since 1977, was relatively low with 67.3 per cent of the 7.5m entitled to vote taking part.

The results will be adjusted today when five more seats are declared after elections by Moroccans living abroad.

Israeli Cabinet to trim public spending by 5%

BY DAVID LENNON IN TEL AVIV

THE new Israeli Government has wasted little time in beginning to tackle the country's two most pressing problems—the deterioration of the economy and Israel's continued military involvement in Lebanon.

At its first meeting yesterday, the Cabinet empowered the finance minister to cut $1bn (£787m) from the budget of about £20bn. Earlier in the day, the defence minister had said the Government's goal was to pull its troops out of Lebanon quickly.

Mr Yitzhak Moda'i, the Finance Minister, said the planned budget cut is the "opening move" in an economic recovery programme, the full implementation of which would take a while. "The situation is worse than I dared imagine," Mr Moda'i told correspondents.

The Government will meet again this week to discuss the principles of Israel's economic policy, which the minister outlined in general at the meeting yesterday.

The Treasury will try to coordinate its steps with the Histadrut Trade Union Federation to prevent an increase of unemployment, Mr Moda'i said before he met the union leaders yesterday afternoon.

As he intends to cut the standard of living by 10 per cent, the minister was at pains to stress that the steps taken by the Government will be taken on the basis of a fair and equal division of the burden

Manila in bid to finalise IMF credit terms

By Emilia Tagaza in Manila

Mr Cesar Virata, the Philippines *Prime Minister* and Finance Minister, said at the weekend that some monetary measures will have to be taken before the International Monetary Fund finally approves the Government's long-stated request for a $630m (£485m) standby credit. His statement at a Press conference on Saturday fuelled speculation that another devaluation of the peso was imminent.

Mr Virata, who left for Washington via Tokyo yesterday to finalise agreement with the IMF on the credit, needed to restructure the Philippines' $25.6bn foreign debt, said: "We would like to return to a floating rate scheme."

Officials have been saying that the peso's exchange rate has been the last hoitch in the IMF talks.

The Government devalued the peso last June from 14 pesos against the U.S. dollar to 18 pesos, saying it wanted the currency to float freely against the dollar.

However, monetary authorities have skilfully managed the float and the peso has maintained a constant rate.

Mr Virata said the Letter of Intent, which outlines the Government's commitments and targets for an economic recovery programme, will be submitted to the IMF board in the first week of October. Approval of the credit is expected in the same month.

Mr Virata said that if the approval comes according to the Government's *timetable*, there would be no need to declare another extension of the moratorium on payments of the country's foreign loan principal.

New Ecu formula approved

BY QUENTIN PEEL IN COUNTY CLARE, IRELAND

EUROPEAN Finance Ministers yesterday approved a new composition of the European Currency Unit (Ecu), to take effect from today, which will decrease the weighting of the stronger European currencies such as the D-Mark and will include the Greek drachma in the Ecu basket for the first time.

At the same time they instructed the central bank governors of the 10 EEC member states to draw up specific proposals to extend the use of the Ecu in financial and economic transactions and to widen the operations of the European Monetary System.

The ministers, who were meeting in an informal session at Dromoland Castle in Ireland's County Clare, failed to agree on which measures might be acceptable for expanding the EMS, largely because of West Germany's continuing reservations about allowing the Ecu to be used for private bank accounts. However, they instructed the governors' committee to propose detailed measures on an acceptable compromise.

The decision on the composition of the Ecu, recommended by the European Commission and endorsed by the monetary committee, returns the weighting in the Ecu basket to approximately the same levels originally fixed when the unit was launched in 1979. Since then the various realignments of the Ecu have raised the weighting of the stronger currencies and decreased that of the weaker.

The new weights of the 10 currencies in the Ecu, with the former weighting in brackets, will be: D-Mark 32 per cent (37); French franc, 19 per cent (16.9); sterling, 15 (15); Italian lira, 10.2 (7.8); Dutch guilder 10.1 (11.3); Belgian/Luxembourg franc 8.2 (8.5); Danish kroner 2.7 (2.7); Greek drachma 1.3 (new entrant); Irish punt 1.2 (1.0).

Although the overall value of the Ecu will remain unchanged, the new weighting is likely is likely to reduce marginally the attractiveness of the unit for the rapidly expanding Ecu bond market.

The ministers failed to agree on measures to increase the official interest rate for Ecu holders, and this will be another of the subjects for recommendation

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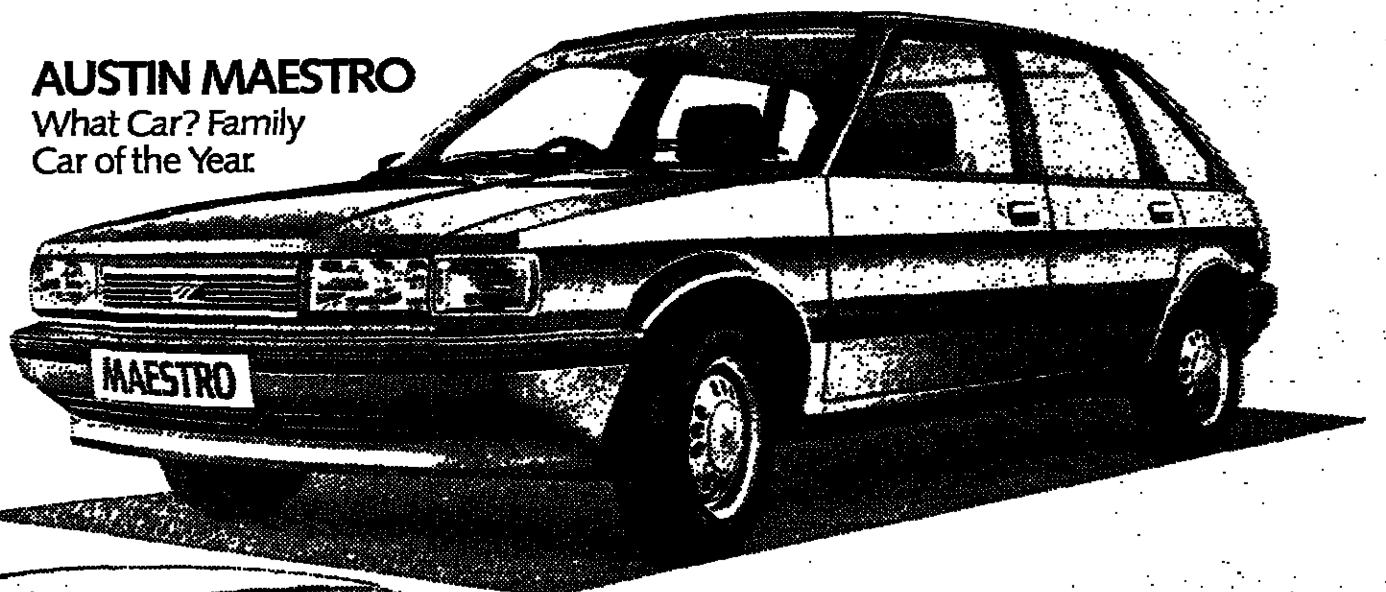

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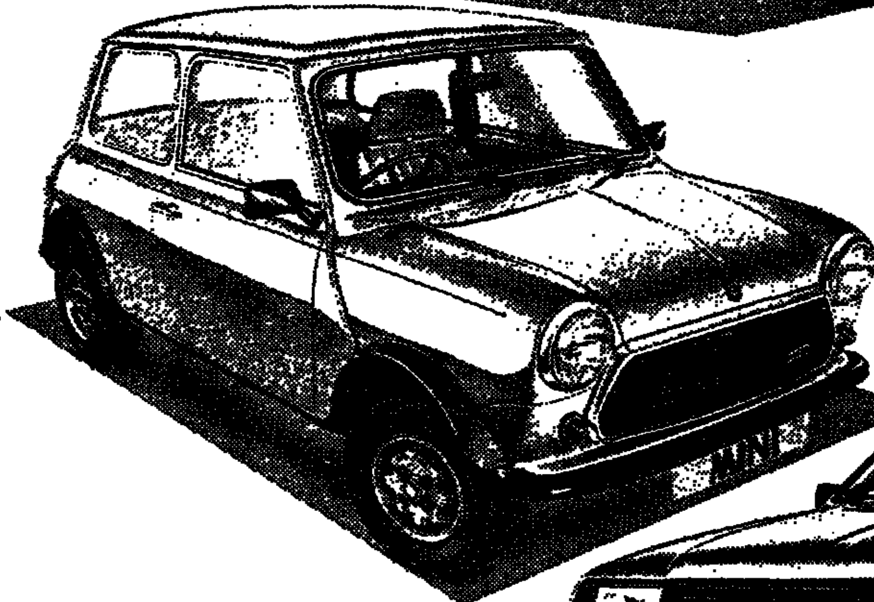

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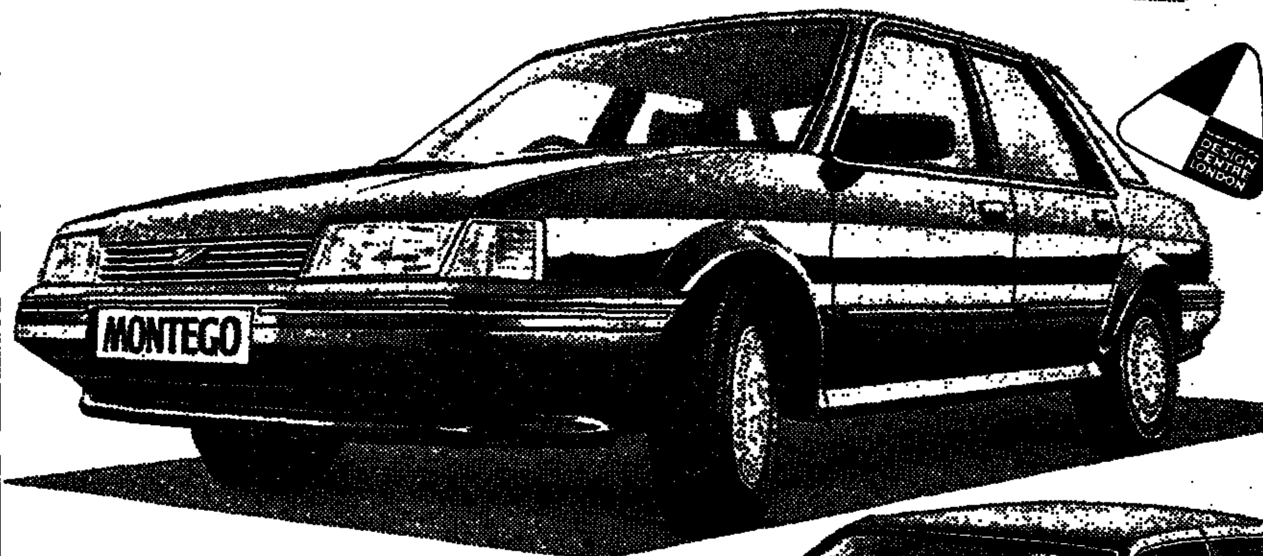

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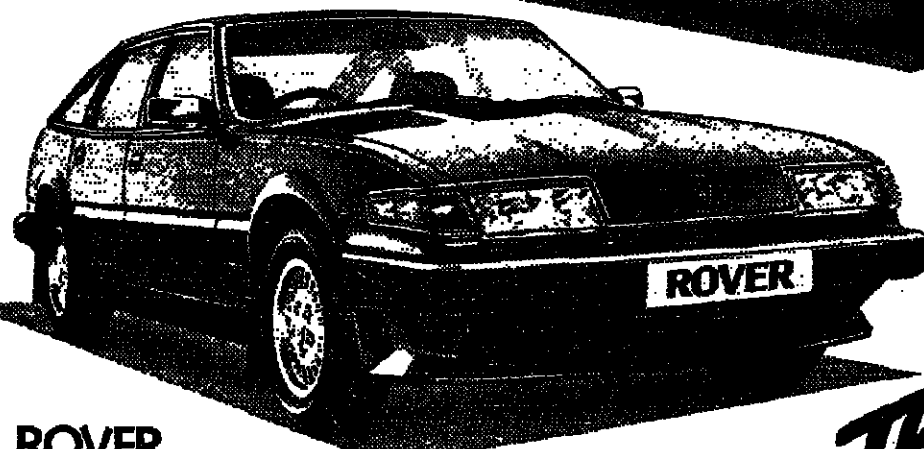

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Bank supervisors in drive for stronger system

BY DAVID LASCELLES

WHAT with Continental Illinois, Banco Ambrosiano and the world debt crisis, bank supervisors are an anxious breed these days, and their decision in Rome to keep pressing for a stronger banking system was to be expected.

But as one official there commented: "It's an art, not a science," and the task before them is daunting. Even the Basle Concordat, their famous set of guiding principles, which says that no international bank shall escape supervision, still exists more in word than in deed.

"Let us not forget that there is a dangerous international banking world out there. While supervisors may not be able to control the real economy and its effect on the banking community, they still have a very important part to play in maintaining the equilibrium of the international market place and the soundness of the participants in that market," a top European bank supervisor said in a keynote speech to the more than 100 supervisors who attended.

Above all, the supervisors are keen to lend credibility to their efforts by boosting the standing of the concordat which had to be patched up last year after it allowed Ambrosiano to slip through the supervisory net.

Supervisors seem to be happy with the new version, which imposes wider responsibility on national banking authorities for the overseas operations of their banks and gave it a hearty endorsement in Rome.

But it still has to face a practical test and there is always the problem of banks operating from countries with lax banking standards. The concordat will never be fully effective until each country subscribes to it fully.

The supervisors' control will be greatly strengthened when all banks have to report a consolidated picture of their operations, including foreign subsidiaries—something for which the Basle Committee has been pressing for some time.

Germany is in the process of instituting new laws that will require it. Italy has toughened reporting rules, but the Central Bank is still awaiting passage of new banking bills for the powers it wants.

Supervisors also agree on the need to get banks to raise more capital to boost their balance sheets. But even after years of discussion they cannot agree on a single definition of capital (does it include items such as loan stock as well as the more obvious equity?) and how much is enough?

Aside from aiding international comparisons of bank balance sheets, common standards would make banks more equal in the intensely competitive international bank market.

According to Mr William Isaac, the chairman of the Federal Deposit Insurance Corporation, and a key player in the Continental rescue, the U.S. would like banks' capital-to-assets ratio to be 9 per cent, a swingeing increase on their current 6 per cent.

But even the closest supervision may not uncover the increasingly sophisticated subterfuge to which a crooked banker could resort, and supervisors admit to some helplessness.

An Italian banking official noted the practice of making "back-to-back" deals: one bank makes a deposit with another on condition it lends the money to a third party with who the first bank wants to disguise its dealings.

"We have to rely on the quality of management," he said.

The Less-Developed Countries crisis poses another constant threat against which supervisors feel they can do little except urge banks to make generous provisions against loss and boost equity, though they maintaink that banks are better placed to sustain loss today than they were a couple of years ago.

The Rome meeting was divided over whether supervisors should tell banks how much to set aside to cover shaky sovereign loans.

For once, the supervisor's favourite talking point—should they bail out banks in trouble—had a classic but divisive case study in Continental Illinois.

Sig C. A. Ciampi, the governor of the Bank of Italy, seemed to be suggesting that the U.S. authorities had gone too far when he warned that supervisors were allowing themselves to be dictated to by fears of big bank failures.

But Mr Isaac replied: "We simply did what had to be done. There was no acceptable private capital solution to the problem at this time, and the potential repercussions to the worldwide financial system were simply too great to allow the bank to fail."

Bank supervisors have always been wary of defining their role as lenders of last resort, but with so many other pressures beating on the world banking system, doubtless many others of those in Rome would have done the same.

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Why the Japanese trade nut is still tough to crack

BY JUREK MARTIN IN TOKYO

THE WAY Japan reorganises its structurally depressed industries is both admired and criticised overseas.

On the one hand, the government-directed process of reducing capacity, designated market sharing, pooling of resources and price controls form the substance of any sensible rationalisation programme; it is made more effective in Japan by the acknowledged authority of Government and by the strong national sense that even a smaller pie can still be cut up equitably several ways.

On the other hand, although the Industrial Restructuring Law, revised last year, is true to OECD guidelines in that it contains no specific restrictions against imports, it is often seen as a veiled and extremely effective form of protectionism.

Threatening

Other nations, the argument runs, protect their troubled industries when import penetration has already assumed threatening levels, whereas Japan does it, at least in part, by ensuring that imports remain at minimal levels through the collusion between government and the domestic industry which is known here as "administrative guidance."

A new report produced in Tokyo throws light on a complex debate and for its authorship. It is the work of the Trade Study Group, composed not of government officials or trade experts but of American businessmen on the ground in Tokyo (easily the largest and most influential foreign preserve) and Japanese executives. In other words, it is the work of businessmen already working with the Japanese system, in many cases successfully, whose vantage point is necessarily different from that of their respective national governments.

The report, incidentally, does not confine itself to structurally depressed industries and, in many areas, covers ground well-trodden by others in the private sector.

Japan currently has 22 industries legally classified as structurally depressed, half designated under the old pre-1983 law. Their collective market is estimated by the report to be worth about $80bn a year. In almost every case, import prices for the products involved are well below those obtaining in Japan. Yet, as the accompanying table demonstrates, in only two sectors, aluminium and ferrosilicon, has imports achieved predominant market shares; otherwise their growth has been modest or non-existent or their presence negligible.

The report acknowledges, as the U.S. Government often does not, that it can be misleading to take too simplistic a view of the overall figures. It notes for example, that imports of some related products (ethyl glycol and ammonium phosphates) have risen sharply; that some Japanese production, in aluminium, petrochemicals and pulp and paper, have moved overseas, itself a testament to readjustment though leading to reduction in domestic demand; that the evidence of artificially high tariffs limiting some imports (on wood products, for example) cannot be applied across the board; and that, more generally, the high capacities set for certain industries do not necessarily mean, as the U.S. government contends, that Japan is pursuing, in disguise, its traditional policies of self-sufficiency.

IMPORT PENETRATION IN JAPAN'S DESIGNATED DEPRESSED INDUSTRIES
(total imports as share of Japanese consumption)

	1979 %	1980 %	1981 %	1982 %	1983 %
Electric furnace steel	*	*	*	*	*
Ferrosilicon	27.0	32.0	48.0	57.0	65.0
Aluminium	37.0	57.0	66.0	81.0	83.0
Container board	2.6	4.8	5.9	4.8	5.0
Urea	0.3	0.5	1.2	3.4	6.4
Ammonia	*	*	*	*	*
Wet-process phosphoric acid†	9.4	9.4	7.2	6.6	n.a.
Polyacrylonitrile staple fibre	12.8	4.8	4.0	3.3	2.4
Polyester staple fibre	5.0	3.4	1.4	2.0	4.3
Nylon filament	2.3	3.0	3.8	2.9	2.9
Polyester filament	3.1	5.5	6.1	4.8	4.2
Paper (kraft liner)‡	7.7	14.1	16.4	13.6	15.5
Ethylene‡	*	*	*	2.1	3.1

* Less than 0.1%. † Figures are for 12-month period beginning in July of each year.
‡ Designated under new law.

Source: Miti

Conundrum

What is does focus on with some force is the fundamental conundrum of the relationship between government and Japanese industry, a matter of intimate concern to foreign businessmen operating in Japan. It cites a number of instances, some well documented, some unproven, some denied by the Japanese authorities, where government (invariably, but not exclusively, the Ministry of International Trade and Industry) and business have worked hand in hand, and in secret, to restrict imports — in chemical fertilisers, petrochemicals, ferrochrome, and so on.

It argues strongly that the "transparency" of Japanese practice leaves much to be desired. Japanese representatives on the Trade Study Group maintained that American businessmen often simply do not try hard enough to work with the Japanese bureaucracy, but none the less the report states baldly: "Many key decisions are made in private discussions between Japanese businessmen and government officials."

One remedy, which has been advocated in many other sectors, is to open this closed door to foreign presence. With structurally depressed industries, the key forum is clearly Miti's industrial structure council, where critical plans are formulated. Miti's position is that foreigners may participate as invited "expert witnesses," a stance that the report describes as "encouraging," but only "a first step." If Miti would open its consultative doors wider, then other more secretive parts of the Japanese bureaucracy might be obliged to follow, it argues.

It is only by seeing thoroughly inside the system, the report maintains, that allegations of deliberate trade protectionism can be proved, or disproved.

"The case for the existence of protectionism—as government policy—in Japan's depressed industries rests ultimately on whether or not there is evidence of 'administrative guidance' to that end. The Trade Study Group has identified no other mechanism by which the Japanese Government may be restricting imports in these industries."

The trouble is, the report is obliged to conclude, that it simply cannot prove that administrative guidance is being so used. Japanese members of the Trade Study Group do not believe it is, while the Americans suspect the opposite. Without greater transparency, the debate is likely to remain inconclusive.

Grievance

Nor does the report feel that the Office of Trade Ombudsman, which is design to help resolve trade complaints across the board, is of much use in clearing the air. It quotes a survey taken by the Japanese Government last year which found that only a third of those foreign concerns with grievances bothered to file them with the Ombudsman; of those who did not, 58 per cent said to file would be useless, 17.8 per cent said they did not know what would happen to their complaint and 16.3 per cent feared retaliation from the Ministry with which they normally deal.

These conclusions may make depressing reading, though the authors detect some recent improvement in Japanese attitudes. The American co-chairman of the group, Mr Hubert Pelter, of Merck, Sharp and Dohme Research Labs, still observed: "They aren't making it easier in a hurry."

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WORLD TRADE NEWS

Fujitsu to build plants in Oregon

By Louise Kehoe in San Francisco

FUJITSU, of Japan, has announced it will locate two new manufacturing plants in Portland, Oregon, rather than in California, because California has as yet failed to revise its unitary tax system, Louise Kehoe write from San Francisco.

The $170m plants, which will be operated by U.S. Fujitsu subsidiaries, will make semiconductor devices and computer disc drives. About 1,000 workers will be hired for the new plants, expected to be operational before the end of 1985.

The disc drive plant will be an expansion of the operations of Fujitsu America, with headquarters in Santa Clara, California, which sells personal computer systems in the U.S.

The semiconductor plant will be operated by Fujitsu Microelectronics and will be the company's second U.S. manufacturing facility. Fujitsu Microelectronics also has its headquarters in Santa Clara and has a factory in San Diego.

China seeks textile loss compensation

PEKING — China has demanded compensation for textile losses caused by new U.S. "country of origin" import rules, but the U.S. Government has not decided whether to even discuss the issue.

Wang Pingqing, deputy to the Minister of Foreign Economic Relations and Trade, has summoned the U.S. Ambassador, Mr Arthur Hummel, to tell him China was "strongly dissatisfied" with the new rules, and demanded compensation.

China has said the rules could cost up to 100,000 jobs in its textile industry.

Fears over unitary tax repeal

BY CLAY HARRIS IN TAMPA

FLORIDA intends to repeal its controversial unitary tax before the end of the year. But companies' foreign earnings are still expected to remain in the state tax net.

The state would also raise its corporate income tax rate by one half point to 5.5 per cent under a formula supported last week by the Lieutenant-Governor Mr Wayne Mixson.

Governor Bob Graham has promised to call a special legislative session after the November elections if agreement can be reached in advance on a means of replacing the revenue lost by the repeal of unitary taxation.

The unitary method is one under which states tax a proportion of a company's world-wide income rather than just the profits of its local operations.

It has come under fierce attack from many multi-national groups. *IBM has told Florida* that it will not expand in the state until unitary tax is repealed, and European and Japanese companies have made similar threats about new investment.

There are 24 states with laws permitting some form of unitary taxation. Twelve permit taxation based on global profits, and 12 permit taxation based on profits earned in the U.S.

Because of international objections, many have pledged to roll the tax back either to apply only to U.S. earnings or to drop it entirely.

Government and industry leaders in Florida are now giving assurances that repeal is *inevitable and imminent, but* some doubts remain. A repeal attempt foundered earlier this year when differing versions passed by the two legislative houses proved impossible to reconcile.

Although the ½ point rise in the corporate income tax rate is emerging as the most likely option, legislative leaders have still not received written commitment for this plan from *business lobby groups.*

It is unlikely that a special session will even be convened unless these are forthcoming.

Despite the general desire to repeal unitary tax, many legislators may prefer to retain it for the moment rather than get bogged down in a session marked by wrangling between business groups or replace it with measures that shift the tax burden from large multinationals to small local companies.

When Florida enacted the unitary tax in 1983 it also removed the exemption on foreign earnings that had existed since it first brought in a corporate income tax in 1972.

Until last year, an exporter, for example, could avoid the state's corporate tax net altogether if all of its revenue was outside the U.S.

Under the formula supported by Mr Mixson, who is also the state Commerce Secretary, foreign earnings would continue to be taxed but not using the unitary method. All foreign sales would be taxed as would all intangible earnings *except dividends.*

Florida would base its tax levy on figures reported to the U.S. Internal Revenue Service, relying, in effect, on the Federal tax authorities to ensure the accuracy of the data and removing any question of arbitrary assessment by the state.

Florida officials have tacitly admitted that unitary tax was passed in haste with scant regard for the costs and methods of assessment and *collection.*

According to Mr John Gilleland at the state Commerce Department, Florida has realised that "it is next to impossible to audit overseas operations" *which is implicitly* necessary under unitary tax.

The latest estimate, moreover, is that the unitary tax will add a mere $73m (£56m) to the state's revenue in the 1984-85 fiscal year, *although previous* estimates had ranged as high as $134m. This compares to a state budget of about $14bn and sales tax revenue of $1bn from visitors alone.

Governor Graham has said that whatever replaces unitary tax must make up the shortfall, but Mr Gilleland observed that "the arguing about the amount of money has ceased to be the point."

U.S. Congress revises wine trade Bill

BY NANCY DUNNE IN WASHINGTON

THE U.S. House of Representatives is expected to pass a wine trade Bill which has been considerably diluted since it made its initial appearance in Congress late last year. A House trade sub-committee cleared the revised Bill last week.

Similar revised legislation soon will be introduced to the Senate, but its outlook there is more uncertain.

The original Wine Equity Act, demanding reciprocal treatment for U.S. wine exports, was strongly opposed by the EEC, the Administration and American agricultural interests.

It was said to be incompatible with the requirements of the general agreement on Tariffs and Trade (GATT), and farmers feared European retaliation against U.S. agricultural exports.

The new legislation, now called the Wine Equity and Export Expansion Act, is both weaker and wider-ranging than the original. It was rewritten with the co-operation of the wine and soya bean producers, and is thought to be no longer in violation of Gatt provisions.

The Bill is still opposed by the Administration which dislikes the notion of sectoral reciprocity.

The original legislation directed the U.S. Trade Representative to negotiate the elimination of tariffs and other barriers raised by mainly European wine exporting nations. If a nation refused after six months to lower its barriers, the President would order the same barriers against that country's wine imports.

The new version asks President Reagan to study foreign wine barriers and the report to Congress, but he is not legally required to take reciprocal action. The Bill calls for "substantially equivalent" conditions in the international wine trade, but these conditions would be negotiated under Gatt.

The ultimate result of the manoeuvring is unpredictable, as the more acceptable trade measures and a controversial protectionist Bill all race towards the finish line, when Congress winds up its autumn session early next month.

Swiss company may lose Nigeria customs contract

BY CHRISTIAN TYLER

SGS, the Swiss inspection and testing company which claims to be the world's largest, may lose its exclusive contract with Nigeria, according to radio and press reports in Lagos.

If confirmed, the decision could mean serious temporary dislocation of trading, British exporters said yesterday.

The report said SGS would be losing its monopoly contract to inspect Nigeria's imports from the end of this month. The Nigerian Cabinet office had announced that three other companies were taking over the work.

Imports from Britain and Asia would be monitored by another Swiss company, Cotecna, Griffiths and Omic. The rest of Europe and Africa would be handled by the French Bureau Veritas Théorille, and goods from north and south America would be inspected by Swede Control Intertek Service of Sweden.

No reason was given for the apparent decision by Nigeria's military rulers. But it is believed that the present and former governments have been unhappy about the SGS monopoly.

Accordig to the Lagos independent daily newspaper, National Concord, the Government had wanted to terminate the SGS contract before now, but was unable to change the decree of 1978 that conferred the monopoly.

One British trading house said yesterday that a change in inspection arrangements now could cause some confusion, since import licences were falling due for renewal at the end of the fiscal year. But in the *longer term, the switch need* make no great difference.

Nigeria is already trying to cut back on all but essential imports, following a trade payments crisis. Negotiations with many foreign creditor companies are still going on.

SGS group, whose parent is Société Générale de Surveillance Holding, has contracts in 140 countries.

Last year it reported a 13 per cent increase in turnover to SwFr 1bn (£322m) and net profits up 17.8 per cent to SwFr 68.1m.

M. Philippe de Weck, chairman of the parent Board, said the results of the African affiliates were "average."

Bids in for $500m rocket order

By Lynton McLain

THREE consortia of companies from the U.S., UK, France and West Germany have submitted bids for a contract forth approximately $500m (£384m) to develop a multi-launch rocket system with guided warheads.

A decision on the winning consortium is expected to be made by the four governments in the middle of November.

The "multiple-launch rocket system terminal guided warhead" (MLRS TGW) programme is one of the first four-nation collaborative defence ventures involving the U.S. and Europe where the aim is to save money by collaboration.

The development contract is likely to cover work over the next six to eight years. Some of the companies involved re*gard the programme as the big*gest they have attempted.

The three U.S. companies involved are Martin Marietta Aerospace, Hughes and the Raytheon Corporation.

Martin Marietta Aerospace is in a consortium with Diehl of West Germany, the Brandt armaments division of Thomson CSF of France and Thorn EMI Electronics, defence systems of the complexity and cost of division, of the UK.

Hughes is in partnership with British Aerospace Dynamics, as part of the Euromissile Dynamics group including Messerschmidt Bolkow Blohm (MBB) of West Germany and SNIAS of France.

Raytheon has teamed with Marconi Defence Systems of the UK, part of the GEC group, Rhein Metall and AEG Telefunked of West Germany and Matra of France.

The award of the development contract would be a first stage towards the production of the multiple-launch rocket system where each rocket would have at least one terminally guided warhead.

The rocket would be launched, as with existing multiple rocket systems, in salvoes from the back of mobile transporters.

The main targets would be armoured vehicles, especially tanks. The fuses and guidance system account for much the proposed system.

One of the companies described MLRS TGW as "the first step towards a fire-and-forget ground-to-ground anti-armour system."

The Martin Marietta Aerospace consortium formed a *joint venture corporation with* its partners, the MDTT corporation, earlier this year to manage the development contract for MLRS TGW.

Extra jobs at several of the companies involved are likely in the winning consortium. The system is expected to be operational in the early 1990s.

Saipem shares $155m Libyan oilfield contract

By Richard Johns

A CONSORTIUM formed by Saipem, a part of the Italian state hydrocarbons corporation, ENI, and Hyundai of South Korea has been awarded a $155m (£120m) contract for the infrastructure of the Libyan off-shore Bouri field.

Awarded by Agip, also a wholly-owned subsdiary of ENI, it covers the fabrication and installation of process and utilities modules, as well as the hook-up and commissioning of the drilling and accommodation modules together with the flare system.

Agip is developing the field under a 81:19 production-sharing agreement with the Libyan National Oil Company, which has the majority interest in the project.

Completion of work on the first two platforms is set for December, 1987.

According to LNOC, the initial output will be 30,000-50,000 barrels a day. By 1990 or 1991, the plan is that capacity and production should rise to 150,000 b/d.

Total cost of developing the field has been estimated at about $2bn. It is reckoned to have reserves of 6bn-7bn barrels in place.

SHIPPING REPORT

Attacks bring Gulf tanker charters to virtual halt

BY ANDREW FISHER

TANKER CHARTERING from the Gulf, where shipping is suffering further attacks, has come to a virtual standstill. So slack is business that 36 big ships totalling over 10m deadweight tons are waiting for cargoes.

Cuts in production in Iran and Saudi Arabia in an effort to *stablise* prices have reduced the cargoes available to VLCCs and ULCCs (very large and ultra large crude carries).

According to E. A. Gibson, the London shipbrokers, 14 *more vessels of 4m dwt are* likely to arrive in the Gulf over the next two weeks.

Since the monthly average of reported charter fixtures for ships over 200,000 dwt has been 21 in the past six months—half as many again may have been fixed privately—clearing the backlog of waiting tonnage will take some time.

At the moment, rates are too low for many owners. Others are unwilling to send their vessels to the Kharg Island terminal in Iran while the hostilities with Iraq continue.

So demand will have to be strongly sustained from charterers, added Gibson, before freight rates reach levels at which owners consider it worth trading.

Scrapping, the brokers said, was the only answer for many of the surplus ships. Of the small number of Gulf fixtures, most were for ships up to 125,000 dwt. The only recorted VLCC fixture was a 230,000 dwt ship to Taiwan at the low rate of Worldscale 21.9.

The dry cargo market was fairly quiet, though there was some Soviet and Iranian chartering. More interest is being shown in Panamax ships, *60,000*-80,000 dwt and able to go through the Panama Canal.

A Liberian tanker and a South Korean bulk carrier ***were hit in two separate*** **attacks in the Gulf yesterday apparently by Iranian jets, shipping officials said, Reuter reports from Bahrain. The officials named the tanker as the 60,656-ton Heron, hit near the Shah Allum shoal, an area of shallows in the central Gulf some 60 miles east of Qatar. The bulk carrier was the 17,144-ton Pan Crystal, hit in a separate attack south of Iran's Lavan Island, they added.**

Marconi to follow up torpedo sales to Egypt

BY TONY WALKER IN CAIRO

MARCONI Underwater Systems of the UK is opening an office in Alexandria following its recent sale of light-weight torpedoes to the Egyptian navy —a contract worth £14m.

The sale of the torpedoes, to be deployed from corvettes and helicopters, is an important breakthrough for the British company in a market dominated by the Americans

Marconi, through its new office, will provide technical assistance to the Egyptian navy whose main base is at Alexandria, in the deployment of Stingray torpedoes, described by its makers as a computerised and highly intelligent weapon.

WORLD ECONOMIC INDICATORS

RETAIL PRICES

(1975 = 100)

	July '84	June '84	May '84	July '83	% change over previous year
W. Germany	144.1	144.4	144.0	141.1	2.1
France	246.5	244.8	243.6	229.3	7.5
Italy	382.0	380.8	378.6	344.9	10.8
Netherlands	161.8	161.8	161.8	157.1	3.0
Belgium	183.0	182.0	181.5	172.1	6.3
UK	260.8	261.0	260.4	249.6	4.5
U.S.	193.2	192.7	192.1	185.6	4.1
Japan	153.8	153.3	154.5	149.7	2.7

Source: Eurostat

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCKS ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON MONDAY, 17th SEPTEMBER 1984.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's *Treasury has created on 14th September 1984, and has* issued to the Bank, additional amounts, as indicated, of each of the Stocks listed below:

£150 million 2½ per cent EXCHEQUER STOCK, 1986

£100 million 3 per cent TREASURY STOCK, 1987

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 14th September 1984 as certified by the Government Broker.

In each case, the amount issued on 14th September 1984 represents a further tranche of the relevant Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions of its prospectus, save as to the particulars therein which related solely to the intitial sale of the Stock. Copies of the prospectuses for the Stocks listed above, dated 21st November 1983 and 30th December 1981 respectively, may be obtained at the Bank of England, New Issues, Watling Street, London EC4M 9AA.

Application has been made to the Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.

The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Stock	*Redemption date*	*Interest payment dates*
2½ per cent Exchequer Stock, 1986	21st November 1986	21st May, 21st November
3 per cent Treasury Stock, 1987	14th July 1987	14th January, 14th July

Each further tranche of stock issued on 14th September 1984 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock.

BANK OF ENGLAND
LONDON 14th September 1984

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Through a growing international presence our capabilities range from buyers credits in the Far East to rollover credits in Luxembourg, from interbank money dealing operations to Eurobond issues.

With a balance sheet total of over DM 100 billion, our resources are substantial. Also, we're bankers to the State of Bavaria, and an integral part of Germany's most powerful financial organization, the Sparkassen network.

Moreover, we are authorized to issue our own DM bonds (one rated AAA, Aaa), an attractive investment for institutional investors wanting to spread their currency risk.

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Central Office: Brienner Strasse 20, 8000 München 2, Tel.: (89) 2171-01, Telex: 5286270, Cables: Bayernbank Munich. Branches: London, Tel.: 726-6022; New York, Tel.: 310-9800; Singapore, Tel.: 2226925. Subsidiary: Bayerische Landesbank International S.A., Luxembourg, Tel.: 4759 11-1. Representative Offices: Toronto, Tel.: 862-8840; Vienna, Tel.: 663141; Johannesburg, Tel.: 8381613.

UK NEWS

Stricter controls urged over Whitehall leavers

BY PETER RIDDELL, POLITICAL EDITOR

TIGHTER controls over civil servants who take up posts in private industry and commerce are to be proposed this week by a cross-party committee of MPs.

The Treasury and Civil Service committee of the House of Commons has conducted an inquiry into the sharp rise in the number of civil servants moving to the private sector, both in mid-career and on retirement. The inquiry was prompted partly by concern over the sizeable number of armed service officers and Ministry of Defence officials who have left to take up posts with defence suppliers and consultants.

The MPs have concluded that there is no evidence of outright corruption but that the present system of monitoring is too loose and does not ensure that such switches always appear above suspicion of impropriety or conflict of interest.

In its report, due out on Thursday, the committee will recommend a series of stricter controls. These will include an extension of the period during which a civil servant may be required to wait before taking up an appointment. This would be from the present maximum of two years to four or five years.

Since 1979, only eight applications have been delayed for two years with other conditions imposed on 116 applications, or only just over 5 per cent of the total.

The Treasury committee will propose closer a scrutiny of relations between retired officials – including the loss of inflation-proof pensions against anyone who breaches these controls.

The committee will make clear that it is not opposed to civil servants going into industry but it is concerned to ensure to clear rules to maintain the integrity of private and public sector relationships.

The Government has been keen to encourage a greater changeover between Whitehall and private industry, particularly at a time when the number of senior and middle-ranking posts in the Civil Service has been reduced.

Belgrano 'cover-up' claimed

BY OUR POLITICAL EDITOR

MRS MARGARET THATCHER, the Prime Minister, yesterday faced renewed criticism from opposition leaders over allegations of a cover-up in the row over the sinking of the Argentine cruiser General Belgrano in May 1982 during the Falklands war.

The affair has been given new impetus both by the disclosure of evidence which has raised questions about previous official explanations, and by the prosecution under the Official Secrets Act of Mr Clive Ponting, a Ministry of Defence civil sevant, for allegedly leaking the documents.

In a letter to the Prime Minister and in a radio interview, Mr Neil Kinnock, the leader of the Labour Party, claimed that Mr Michael Heseltine, the Defence Secretary, had overruled civil service advice that Mr Ponting should not be prosecuted.

Mr Kinnock claimed that the decision to prosecute was a departure from the practice that such leaks were regarded as breaches of trust, and not as a criminal offence, unless questions of national security or endangering life were involved.

The Labour leader said that ministers had been advised by civil servants *that publication of details of* the events would not compromise national security.

Dr David Owen, the Social Democrat leader, said yesterday that there had been a cover-up. "There is no excuse for parliament to have been lied to in 1984 about a military operation that took place in 1982."

Mrs Thatcher has denied interfering in the decision to prosecute Mr Ponting.

The significance of the latest exchanges is not just in the allegations but in the fact that both Mr Kinnock and Dr Owen have become involved. This has inevitably raised the political importance of the question.

Scottish nationalists boost morale

BY MARK MEREDITH IN INVERNESS

THE SCOTTISH National Party, SNP with two members in parliament, ended a morale-boosting annual conference at the weekend with plans for a drive to win new supporters.

The conference, confirmed by a narrow majority a gradual approach to independence for Scotland defeating a more fundamental, no-compromise line. It also approved plans to promote Scottish exports and encouraging self-help within the Scottish economy.

The Inverness conference was free of the bitter party wrangling which has dominated the SNP leadership for two years with the left wing trying to give the party a new direction as interest in devolution waned.

After a purge followed by reconciliation, the party is obviously anxious to put factional disputes behind it.

The nationalists have longed for the heady days of the mid-1970s when they had 11 MPs and as much as 30 per cent of the vote. Party support has since slumped to around 12 per cent.

Encouragement has come from local district council elections, in which the SNP took control of Angus District, and by Mrs Winifred Ewing's re-election to the European Parliament.

By a vote of 246 to 231 party delegates supported the formation of a Scottish constitutional conference open to all parties which would discuss the basis for self-government. It also agreed to co-operate with the independent Campaign for a Scottish Assembly.

Opponents of the gradual approach said in a vigorous debate, which proved the high point of the conference, that the convention would just put back the advent of devolution.

EEC may drop case against UK milk policy

By Andrew Gowers

THE THREAT that Britain will be forced to repay large sums of money to the EEC as a result of alleged irregular milk marketing policies appears to be receding.

Hopes are rising in the Ministry of Agriculture in London that the European Commission may not, after all, pursue possible claims against the UK Government for infringing EEC rules in 1980 and after.

Such a move might also foreshadow the eventual dropping of a case brought by the Commission against the Government in the European Court of Justice.

The possible financial claims arise out of the former pricing policy of the Milk Marketing Board, the monopoly buyer of milk from English and Welsh dairy farmers.

Under its two-tier pricing policy, which was discontinued earlier this year, the board sold milk at a cheaper rate if it was to be made into packet butter than if it was destined for butter to be sold into official storage, or "intervention."

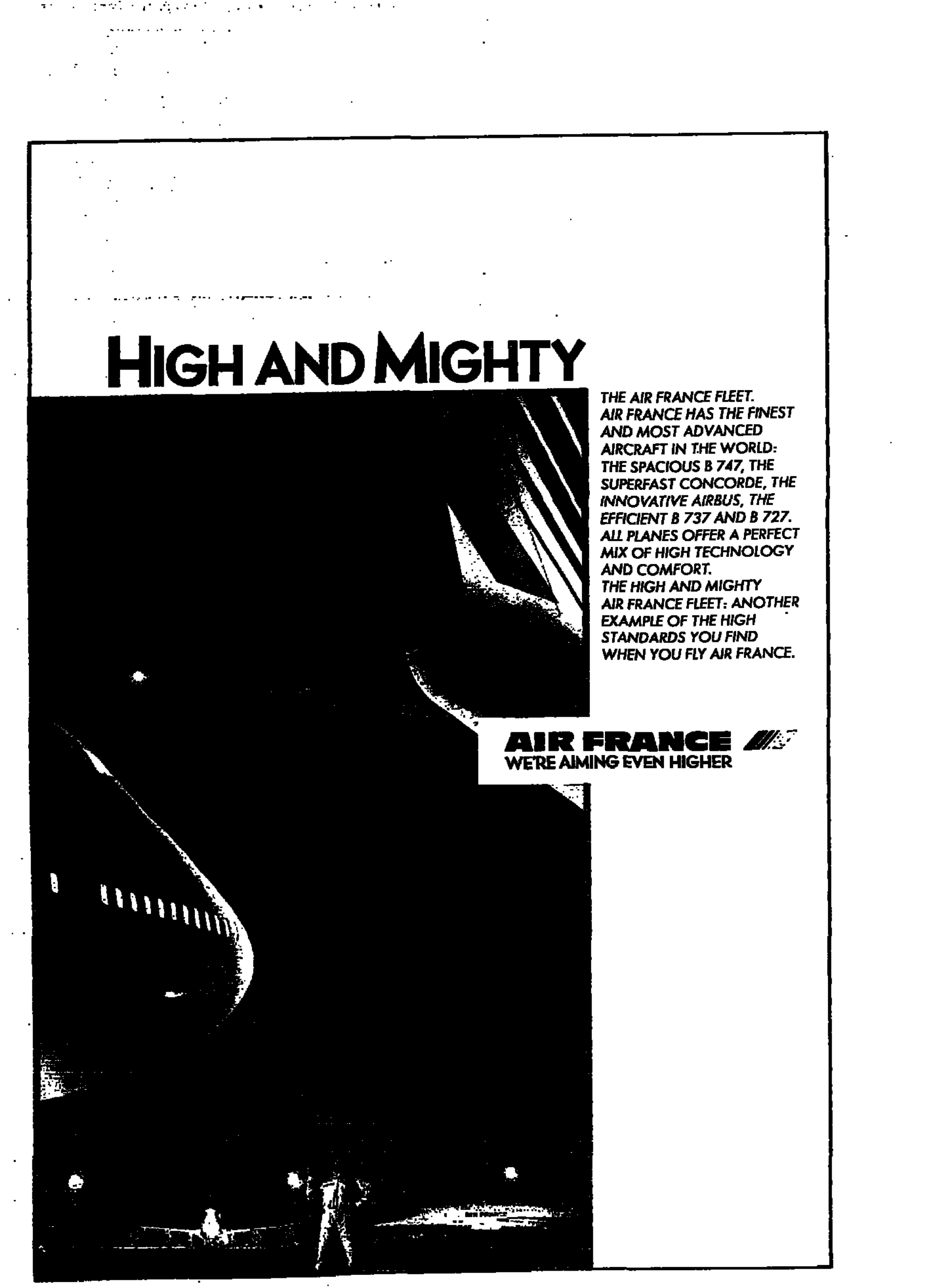
The Commission contends that this practice breached EEC competition rules by giving British manufacturers of butter for retail sale an unfair advantage over their rivals. London strongly contests this, saying Community regulations allow multi-tier pricing systems for milk.

Apart from instituting proceedings in the European Court in Luxembourg, the Commission had hinted *that it might disallow certain* Community remittances to Britain when it finalised the 1980 accounts, on the grounds that UK spending on its dairy sector in that year was partly illegal.

It now appears, however, that Commission officials have realised that the purported infringement of the rules by the Milk Marketing Board was only one of many by different member states in that year.

London's hopes hinge on the possibility that if UK money is withheld, many other states' spending in 1980 will also have to be disallowed – a prospect which would probably not be viewed with relish by several Commissioners.

Any decision by Brussels to drop its court case against Britain would, however, probably have to await the arrival of the new Commission in January.



Contracts & Tenders

SOKOTO AGRICULTURAL DEVELOPMENT PROJECT SADP-4

2 Inch and 3 Inch Irrigation Pumps, Animal Drawn Ridgers and Toolbars

The Federal Military Government of Nigeria has obtained a loan from the International Bank for Reconstruction and Development (hereinafter referred to as "IBRD"), in various currencies equivalent to US$147 million towards the cost of the *Sokoto Agricultural Development Project* and intends to apply part of the proceeds of this loan to eligible payments under the contracts for which this invitation for bids is issued. Payment by the IBRD would be made only at the request of the Federal Military Government of Nigeria and upon approval by the IBRD in accordance with the terms and conditions of the loan agreement and will be subject in all respects to the terms and conditions of that agreement. Except as the IBRD may specifically otherwise agree, no party other than the Federal Military Government of Nigeria should derive any rights from the loan agreement or have any claim to the loan proceeds.

Requests for bidding documents shall be accompanied with a non-refundable bank draft or remittance in favour of SOKOTO AGRICULTURAL DEVELOPMENT PROJECT in the amount of Two Hundred Naira or the equivalent of Two Hundred and Seventy-five U.S. dollars in the currency of the prospective bidder.

Requests for bidding documents may be submitted to either of the following two addresses from where they will be made available:

(1) The Programme Manager
Sokoto Agricultural Development Project
Headquarters
Abdullahi Fodio Road, PMB 2245
Sokoto, Nigeria

(2) Mr J. D. Chale
Room 300, 77 Main Street
Winnipeg, Manitoba
Canada R3C 3H1

Documents may be collected at either of the above addresses in person or bidders wishing to have the documents sent to them by courier may request for this service only from the Canadian address given above.

Inquiries concerning this invitation for Bids should be sent in writing to the Programme Manager at the address given above.

Sealed bids complying with the requirements of these Bid Documents will be received by the Programme Manager at the above address until 10.00 AM on November 29, 1984 and shall be opened in the presence of bidder's representatives who choose to attend at 11.00 AM on the same date at the same address.

Programme Manager
SOKOTO AGRICULTURAL DEVELOPMENT PROJECT
Sokoto

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REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

Ministere de l'Energie et des Industries Chimiques et Petrochimiques

(Ministry for Energy, Chemical and Petrochemical Industries)

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS

(National Oil Exploitation Company)

Notice of Extension

The ENTP (National Oil Exploitation Company), Direction des Approvisionnements Base du 20 Aout 1955, BP No. 217, Hassi-Messaoud Wilaya de Ouargla, Algeria, hereby informs companies concerned with International Call for Tenders No. 0137/W/MF for the supply of rock bits, the closing date of which was initially indicated as 25/8/84, that the date has been extended to 6 October 1984.

CHILE

CORPORATION DE FOMENTO DE LA PRODUCCION

INTERNATIONAL BID INVITATION FOR FORESTRY INDUSTRIAL DEVELOPMENT

Corporación de Fomento de la Producción (Chilean Development Corporation) — CORFO, invites foreign and Chilean investors to bid on the development of a forestry industrial complex based on 80,000 hectares (200,000 acres) planted with radiata pine and located in central Chile, between the Maipo and Mataquito rivers, a coastal area with a consistently mild climate. An additional 250,000 hectares (625,000 acres) of equally suitable land with the same forestry potential is adjacent to the area offered. Present forestry resources will yield an estimated 800,000m3 (28 million cubic feet) per year, starting in 1988. The principal part of this development contemplates a pulp and paper industry. Total investment is estimated at over *$200 million*. Chile is a traditional and significant participant in the world forestry market; during the first half of 1984 exports to 55 countries reached about $200 million.

The invitation to bid is limited to foreign and Chilean companies or consortia that comply with the bases for this bid. Tender documents, which include all pertinent technical documentation, will be available until October 17, 1984 from CORFO headquarters at Moneda 921, Office 524, Santiago, Chile; or from CORFO New York at 1 World Trade Center, Suite 5151, New York, NY 10048. Telephone (212) 938-0650, Telex: WUI 620804. The complete set of documents can be obtained from either location with payment of Ch$20,000 or US$200.

Bids will be received in sealed envelopes at noon on January 4, 1985, at CORFO headquarters, Room 825 in Santiago, Chile. This will be a public act where the bids will be presented to and received by the Secretary General of the Corporation.

Legal Notices

CAUSE NO: 339 OF 1984
IN THE GRAND COURT OF THE CAYMAN ISLANDS
HOLDEN AT GEORGE TOWN
GRAND CAYMAN
IN THE MATTER OF UNIVERSAL CASUALTY & SURETY COMPANY LTD.
AND IN THE MATTER OF THE COMPANIES LAW

A Petition to wind up the above-named Company by the Court presented on the 6th day of September, 1984 by Maxicare Health Plans Inc. claiming to be a creditor of the Company will be heard at the Grand Court, George Town, Grand Cayman, British West Indies at 10.00 a.m. on the 1st day of October, 1984.

Any Creditor or Contributory wishing to oppose or support the making of an Order on the said Petition must ensure that written notice or telex message reaches the undersigned (ref: AJ/wmh) by 4.00 p.m. local time on the 28th day of September, 1984.

A copy of the Petition will be supplied by the undersigned on payment of C.I.$0.75c.

MAPLES AND CALDER,
P.O. Box 309,
Grand Cayman,
British West Indies.
Telex CP (0293) 4212
Attorneys-at-Law
for the Petitioner.

Company Notices

BANQUE FRANCAISE DU COMMERCE EXTERIEUR

U.S.$600,000,000 GUARANTEED FLOATING RATE NOTES DUE 1999

In accordance with the provisions of the above mentioned Floating Rate Notes, the rate of interest for the period September 13th, 1984 to March 13th, 1985 (181 days) has been fixed at 12 5/16% per annum.

Interest payable on each note of U.S.$10,000 on March 13th, 1985 against coupon number 1 will be U.S.$612.76.

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UK NEWS

PRICE WATERHOUSE AND DELOITTE MERGER

Rivals planning to poach work from new accountancy giant

BY BARRY RILEY, FINANCIAL EDITOR

RIVAL British accounting firms are preparing to poach business from the new accountancy giant Price Waterhouse Deloitte, which is due to start trading early next year.

"It promises to give us quite a lot of opportunities," says Mr David Young, managing partner of Spicer and Pegler. "They will spend two, three or four years bedding the merger down, and that's time not spent serving the client," he says. "A lot of people will be spending a lot of time on internal matters."

According to the managing partner of another leading firm: "The merger will cause difficulties for them and hopefully opportunities for others."

British accountants see the merger as creating particular problems for PWD's British constituents, which are being forced to follow the priorities of the much larger U.S. firms of Price Waterhouse and Deloittes. "It's very clear it's a U.S.-driven merger," says Mr Michael Lickiss, managing partner of Thornton Baker.

In the U.S. the combined firm will be only a *little larger than the existing* big two, Arthur Andersen and Peat Marwick. But the UK firm will be much larger than any other. With well over 400 partners, it will have fee income of about £140m, almost twice as much as each of the two present UK leaders, Peat Marwick and Coopers & Lybrand.

In the U.S. the merger plan has had a generally respectful response from the rival firms. It is acknowledged that smaller members of the 'big eight' league table will be opening (or in some cases re-opening) merger discussions.

In Britain, however, there are suggestions that PWD may be so large in the local market as to risk losing business. "This merger wouldn't have come out at all as a UK proposal," is one view. "It shows that the destiny of these very large firms is controlled in America."

The formation of PWD depends on the approval of partners worldwide in the next three months. This period of uncertainty will coincide *in Britain with the opening of an* unprecedented campaign of advertising and publicity by leading firms.

The publicity rules of the Institute of Chartered Accountants have been greatly liberalised under pressure from the Office of Fair Trading. From October 1, firms of accountants will be free to launch corporate advertising campaigns.

Mr Young of Spicer and Pegler is enthusiastically entering into the spirit of this *new* competitive era. "*Many companies, including* large ones, may wish to reconsider the merits of seeking all services required from one massive firm.

"Clients increasingly expect responsive, relevant services at reasonable prices. I believe we can and do provide them."

Mr Young's firm is determined to stay independent. "Spicer and Pegler has been approached by all the major firms at some time or another but has set its face resolutely against a merger," he says.

Competitors see the new firm as liable internal communication problems. "If you are giving advice you have got to have fairly short decision trees through which to do it," is one view. "A firm the size of Price Waterhouse Deloitte will be stretching things to the limit."

At Thornton Baker, Mr Lickiss comments that the new firm is going to make accountants think more clearly about the structure they should adopt and the markets they wish to be in. "We see some opportunities in it," he says.

Rival accountants happily swap stories about partners of Price Waterhouse and Deloittes being angry when they first learnt about the merger from newspaper stories.

But a spokesman for Price Waterhouse was reassuring.

Executive pay up 7.7%

BY DAVID GOODHART

EXECUTIVE pay in the private sector has been increasing at an average annual rate of 7.7 per cent, reflecting a continuing divergence between private and public sectors, according to the latest quarterly review of the Incomes Data Services Top Pay Unit.

The unit studied 109 large employers and found private sector rises between, 5 and 14 per cent, compared with a public sector average of 4.8 per cent

The average figures for the private sector conceal a wide range of performance-related rewards. Up to 30 per cent has been given in a few exceptional cases. A more typical increase for the executive earning an outstanding performance rating was 10 to 15 per cent.

Foden to back Caterpillar

By Kenneth Gooding

PACCAR, the North American heavy truck producer, is to use its British subsidiary, Foden, to promote sales of Caterpillar products in the already crowded European market for truck diesel engines.

There are close commercial links between Paccar, second only to International Harvester in sales of Class 8 (heavyweight) trucks in the U.S. and Caterpillar, best-known for its construction equipment. Paccar is Caterpillar's best outside customer for engines.

Foden is to offer the Caterpillar 3406, 310 to 400 hp diesels as options in its trucks.

Foden says the Caterpillar unit, first launched in 1973 in the U.S. and now with about 100,000 in operation worldwide, will be similar in price to the Cummins' 400hp diesel. It will also compete with Perkins-Rolls-Royce and Gardner.

Company Notices

Notice of the basis for the determination of the Interest Rate for the 3 year period commencing November 19, 1984

CAISSE FRANCAISE DES MATIERES PREMIERES (CFMP)

100,000,000 UNITED STATES DOLLARS RETRACTABLE BONDS

Retractable at par at the option of the Holder on November 19, 1984, 1987, 1990 or 1993 and payable in full on November 19, 1996 as set forth under the "Terms and Conditions of the Bonds"

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Interest rate: 16¾% until November 19, 1984

In accordance with paragraph "Interest" of the Terms and Conditions of the above-mentioned bonds, notice is hereby given to bondholders that CFMP has decided to change the rate of interest in respect of the bonds for the period from November 19, 1984 until November 19, 1987. The basis for the determination of such new rate of interest is as follows.

For the period commencing November 19, 1984 and ending November 19, 1987, the bonds will bear interest at the higher of the following rates, to be determined as herein described:

(a) An annual rate equal to the annualized yield to maturity, on October 22, 1984, of the 12⅜% U.S. Treasury Bond due August 15, 1987, increased by 0.20%, provided, however, that if prior to October 22, 1984 a new U.S. Treasury Bond has been issued having a final maturity which is closer to November 19, 1987, the rate described by this paragraph (a) shall be equal to the annualized yield to maturity, on October 22, 1984, of such bond, increased by 0.20%; such yield in either event to be calculated by Kredietbank S.A. Luxembourgeoise on the basis of the composite bid price of such bond on October 22, 1984 as quoted by the Federal Reserve Bank of New York at 3.30 p.m. (New York time), and rounded if necessary to the nearest 0.05%; or

(b) An annual rate equal to the average annualized yield to maturity, on October 23, 1984, or four specified French Government-guaranteed Euro-dollar issues (BFCE 16% due November 15, 1986, EDF 12¾% due October 27, 1987, EDF 13% due January 15, 1988 and EDF 10% due July 1, 1988); such average yield to be calculated by Kredietbank S.A. Luxembourgeoise on the basis of bid quotations as of 10.00 a.m. (London time) received from three specified reference banks (Credit Commercial de France, Paris, Merrill Lynch, Pierce, Fenner and Smith Limited, London and Kidder, Peabody Securities Limited, London), and rounded if necessary to the nearest 0.05%.

The new rate of interest applicable to the bonds will be published promptly after the determination thereof by Kredietbank S.A. Luxembourgeoise. The rate so determined shall (in the absence of manifest error) be final and binding.

Pursuant to the Terms and Conditions of the bonds the period during which bonds may be presented for repurchase on November 19, 1984, is from September 19, 1984 to October 19, 1984.

Luxembourg, September 17, 1984.

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Distinctive numbers of the bonds drawn:
10875-11940 11951/12084
inclusive taking account of previous repurchases.

Outstanding amount after the instalment of November 1, 1984:
U.S.$18,000,000.

Bonds drawn by lot will cease to bear interest on November 1, 1984. *Bonds presented for redemption must* have their coupon as at November 1, 1985 and subsequent attached and will be payable according to conditions stated on the Bonds.

Previous redemption instalments:
1978: Nos. 6113/6542
7743/8512
1983: Nos. 8813-10874

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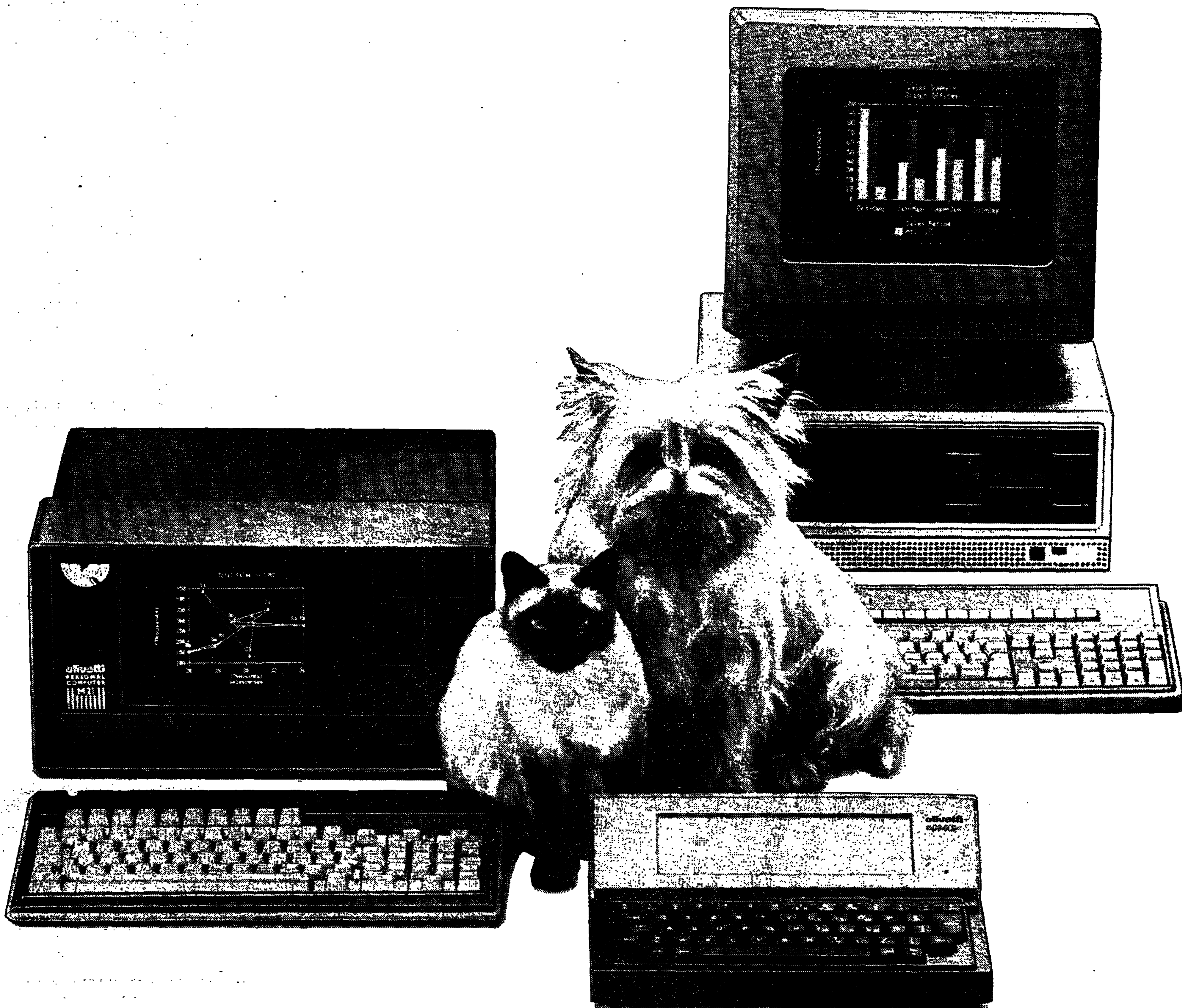

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Financial Times could be again sliding towards confrontation

BY DAVID GOODHART, LABOUR STAFF

As industrial dispute at the Financial Times' London printing centre has not disrupted weekday distribution of the international edition of the newspaper published and distributed in Frankfurt, West Germany. There has, however, been some shortfall in European supplies on Saturdays. The article here gives the background to the London dispute.

THERE is a growing sense of déjà vu at the Financial Times as the paper appears to be sliding towards another all-out confrontation with its 24 machine managers in the London press room which prints the main edition. It was only 13 months ago that an agreement was signed – covering the same machine managers – which ended last year's traumatic three-month stoppage.

A dispute over one of the loose-ends of that agreement triggered a further bout of unofficial action at the start of the month which has caused the loss in London of more than 500,000 copies of the paper – an average of 25 per cent of the print run every night – and severely limited changes to the paper after the first edition.

Mr Charlie Miller, the National Graphical Association machine manager's father of chapel (office branch), is on holiday, during which time the disruption is likely to continue. He has promised to step it up on his return if the company continues to refuse to negotiate with him.

So are we back to square one in the FT's apparently interminable war over differentials and chapel power in the machine room?

The simple answer is yes, and there are plenty of people on both sides in the new dispute who assert that they saw it all coming 13 months ago.

The balance of forces in this round could, however, be significantly different. The machine managers may not get support from all other NGA groups – especially the compositors – and could even be rebuffed by the union head office.

The FT also has a new management structure and a tough new chief executive in Mr Frank Barlow.

The immediate cause of the trouble was the machine managers' claim to renegotiate the agreement covering the two workers on day shifts, which was not part of last year's settlement. The management agreed in principle to talk about it – but too slowly for the chapel, which announced an overtime ban on August 30. The action taken since is unofficial, in breach of disputes procedures and has cost the company about £200,000.

Underlying this argument are two far more important issues.

First the chapel is looking for improvements in pay – on top of the present basic of £332 a week – and points to substantial rises already granted to some other groups, including electricians, compositors, and journalists.

Second, the dispute is inseparable from arguments over the joint press room agreement which was supposed to be concluded after last year's strike.

Joint press room agreements have long been accepted on many other papers and are a mechanism for preventing one of the oldest and most intractable of Fleet Street headaches – the differential battle between Sogat '82 machine assistants, who operate the presses, and NGA machine managers, who are charged with supervising them.

After a differential dispute in September 1981 the FT began negotiations on a press room agreement which would merge the two groups into a fixed-pay and manning relationship and eliminate leapfrogging disputes.

In October 1982 the management came to an agreement with Sogat but failed to reach agreement with the NGA. Attempts simply to pay the managers an extra 12.5 per cent – to preserve the differential – foundered in June 1983 when they struck for a rate which would have taken them far above that.

The strike, generally regarded as a clear victory for the NGA, left the managers with a rate of about £317 but also produced a commitment from all sides to reach a joint press room agreement as soon as possible.

The two-week deadline for such an agreement passed without notice but in October a tripartite meeting with national and local officials of both unions came close to a deal on the original principle of merging the two unions' separate agreements.

According to the FT management, that was not followed up and early this year Mr Miller, along with Mr Derek Lloyd, the machine assistant's father of chapel, came to the management with a new framework for a joint agreement.

The company did not reject the idea but as the two unions were now asking a far higher price for the prospect of industrial peace – and a reduction in their autonomy – the management produced some of its proposals for increasing productivity.

Subsequent attempts to bring in national officials failed – out of a mixture of problems with dates and straightforward reluctance – and the company does not want further discussions with the chapels. They, having resisted a joint press room agreement for a year, now protest they are not being allowed to negotiate one.

All of that would be entirely academic if not for the fact that the FT could be heading for exactly the kind of dispute such an agreement is designed to prevent. For, in addition to the NGA managers feeling that they are being left out in the pay race, their sacred differential with Sogat '82 will soon be undermined unless something is done soon.

That is because the August 1983 agreement ending the last strike left one hostage to fortune. The FT agreed that after 157 papers of over 40 pages (using all six presses) the machine managers should get an extra two shifts a night; the Sogat chapel, however, was to receive an extra £80.65 a night.

The 157th six-unit edition is due early in October, at which point Sogat pay will creep over the 12.5 per cent differential and the NGA will have an additional reason to go into dispute. It is one on which NGA national officials may find it more difficult to turn their backs.

If the lack of "fit" between the Sogat and the NGA agreements can be overcome – in effect if a belated joint agreement can be negotiated – a long dispute may be averted. But prospects for negotiating do not seem bright.

The NGA machine chapel may not be popular with the top-earning compositors or their national officials, but they have powerful allies in other NGA sections at the FT who share their belief that the management is planning to replace them with Sogat members.

If they did not get national backing for an all-out strike they would probably continue the present guerrilla warfare indefinitely and force the management to sack them.

In addition, the NGA readers – along with Sogat copyholders/revisers – have been working to rule since early July because they say they do not have sufficient time to do the job. The management says they have unilaterally changed their working practices.

Other groups, in both unions, are also anxious about the planned introduction of photo-composition which will almost eliminate some chapels. The general political climate in Fleet Street – in the context of the miners' strike and the impending damages case against the NGA – makes compromise even less likely. Indeed the FT's troubles may soon be shared by others.

● A meeting has now been proposed by the NGA nationally for September 27, under the disputes procedure which requires no hostile action on either side.

Hambro to relaunch financial package

By Stephen Wagstyl

BRITAIN'S first financial "supermarket," launched with a fanfare a year ago, has so far failed to live up to the hopes of its founders, Hambro Life Assurance.

Only just over 1,000 customers have joined the group's Financial Management Programme, which offers a package of banking, credit and investment services to those with liquid assets of at least £25,000.

The group's original "realistic" target was 50,000 clients in two or three years.

Hambro, Britain's largest unit-linked life company, will relaunch the programme next month, cutting the asset minimum to £10,000.

Mr Peter Emms, Hambro's investment marketing director, admitted that the number of clients was "slightly disappointing," but said that the total of assets attracted – £75m – was very encouraging.

Hambro launched the scheme with extensive advertising and a £2m-£3m investment in supporting computer systems. But there were doubts in the City of London whether the scheme – which follows U.S. models pioneered in the mid-1970s – would attract British customers away from the retail banks.

BASE LENDING RATES

Bank	Rate	Bank	Rate
A.B.N. Bank	10½%	■ Hill Samuel	§10½%
Allied Irish Bank	10½%	C. Hoare & Co.	†10½%
Amro Bank	10½%	Hongkong & Shanghai	10½%
Henry Ansbacher	10½%	Kingsnorth Trust Ltd.	10 %
Associates Cap. Corp.	10½%	Knowsley & Co. Ltd.	11 %
Banco de Bilbao	10½%	Lloyds Bank	10½%
Bank Hapoalim	10½%	Mallinhall Limited	10½%
BCCI	10½%	Edward Manson & Co.	12 %
Bank of Ireland	10½%	Meghraj and Sons Ltd.	10½%
Bank of Cyprus	10½%	Midland Bank	10½%
Bank of India	11 %	■ Morgan Grenfell	10½%
Bank of Scotland	10½%	National Bk. of Kuwait	10½%
Banque Belge Ltd.	10½%	National Girobank	10½%
Barclays Bank	10½%	National Westminster	10½%
Beneficial Trust Ltd.	11½%	Norwich Gen. Tst.	10½%
Brit. Bank of Mid. East	10½%	*People's Tst. & Sv. Ltd.*	12 %
■ Brown Shipley	10½%	R. Raphael & Sons	10½%
CL Bank Nederland	10½%	P. S. Refson & Co.	10½%
Canada Permn't Trust	10½%	Roxburghe Guarantee	11½%
Cayzer Ltd.	10½%	Royal Trust Co. Canada	10½%
Cedar Holdings	12 %	■ J Henry Schroder Wagg	10½%
■ Charterhouse Japhet	10½%	Standard Chartered	‖10½%
Choulartons	12½%	Trade Dev. Bank	10½%
Citibank NA	10½%	TCB	10½%
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Clydesdale Bank	10½%	United Bank of Kuwait	10½%
C. E. Coates & Co. Ltd.	11¾%	United Mizrahi Bank	10½%
Comm. Bk. N. East	10½%	Volkskas Limited	10½%
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Co-operative Bank	*10½%	Whiteaway Laidlaw	11 %
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Duncan Lawrie	10½%	Yorkshire Bank	10½%
E. T. Trust	11 %		
Exeter Trust Ltd.	11 %		
First Nat. Fin. Corp.	14½%		
First Nat. Secs. Ltd.	13 %		
■ Robert Fleming & Co.	10½%		
Robert Fraser	11 %		
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UK NEWS

Micheal Donne looks at the battles being fought over airline routes, charters and airport construction

Busy winter ahead for aviation planners

WHILE the battle over route transfers between British Airways and the independent British airlines rolls on, officials in the Department of Transport are busy dealing with what many regard as far wider issues for the future of UK civil aviation, and which also need to be settled in the weeks ahead.

It is impossible for the Government to bring all these matters together for solution in one broad package of decisions. The time scales involved vary considerably, and the issues themselves are so diverse, ranging from whether or not to build a fifth terminal at Heathrow airport or to develop Stansted, to a decision on whether to sell the British Airports Authority to the private sector, and if so, when.

Work on these and many other aviation issues is going on in parallel, even though most immediate attention is being devoted to settling the many questions raised by the Civil Aviation Authority's (CAA) policy review document (called CAP 500) which launched the routes transfer controversy.

The CAA itself posed such additional questions as the deregulation of UK domestic air routes and fares; the future level of air transport movements at Heathrow (to determine whether the proposed 275,000 movements ceiling from the end of next year is still desirable); and the wider issue of a strengthening of its own powers to enable it to promote competition "and deal with anti-competitive behaviour."

The latter is of special significance to many independent charter airlines, who argue that if British Airways is privatised with its big holiday charter flying subsidiary, British Airtours, left intact, the future viability of the private charter operators is in doubt.

The charter airlines feel strongly that the storm created over the routes transfers issue has obscured this equally important matter, which in their view needs to be settled just as urgently.

The aviation planners in the Department of Transport have not lost sight of the point, however. One reason why the Cabinet was not asked to consider civil aviation last week is because the planners need more time to consider this aspect of the whole controversy as well as route transfers.

The aim is for a package of proposals dealing with the points raised in CAP 500 to go before the Cabinet at the end of this month, so that the issues raised by the CAA's policy report can be cleared away.

This means that much hard work still has to be done – trying to find a compromise between the strong stands taken on route transfers by British Airways and British Caledonian is difficult enough, without the additional problem of sorting out what stronger powers the CAA itself ought to be given.

Also, the Department of Transport is anxious not to waste Cabinet time by referring to it a stream of isolated decisions, but rather to present a coherent package that can be approved quickly.

When the Cabinet does consider the issue it is expected not only to clarify the routes transfer situation, and the future level of holiday charter flying competition, but also clear the way for the City of London to draw up the long-awaited prospectus for BA's own privatisation, which the Government still wants to achieve by next spring.

Beyond that, however, several other major decisions will have to be taken during next winter, which could be even more far-reaching than route transfers.

The biggest by far will be the decision on whether to build a fifth terminal at Heathrow or develop Stansted as the third major airport for London.

This is a macro-economic decision by any standards involving long-term spending of several hundred million pounds and having vast environmental implications.

The third London Airport problem has been around for nearly 30 years, and this latest attempt to solve it has already taken 2½ years of public hearings, which ended over a year ago, with the inspector's report still awaited. Until the Government has that report, it cannot move on the issue.

The T-5/Stansted decision, however, has other implications for the privatisation of the British Airports Authority. The Government has yet to decide when that will be undertaken, although it has already decided to sell off the three London airports (Heathrow, Gatwick and Stansted) as one block.

At the same time, a decision has to be taken about the Scottish Lowland Airports – Glasgow, Edinburgh and Prestwick – also owned by the BAA and which may also be sold as a block. But coupled with this is the problem of Prestwick's future. The latter's significance as a civil airport has been declining, but perhaps could be revived if it were given the status of a Freeport.

The future shape of a privatised Airports Authority also has to be settled. The House of Commons Transport Committee has urged that a special Holding Board should be set up to run the airports after privatisation, with the Government retaining not more than 49 per cent of the shares. The individual airports would then be run as semi-autonomous bodies, under airport management boards, but ultimately subject to the Holdings Board.

Whether such a clumsy structure is desirable, or whether some other arrangement can be devised, remains one of the major matters to be settled.

In the meantime, the Department of Transport is still awaiting responses from the industry to its recently issued consultation document concerning the future levels of activity at Heathrow, including views on the possibility of auctioning take-off and landing "slots" at that airport as a means of easing congestion there.

The department also still has to do much more than in the past to placate the regional airports authorities, such as Manchester, which feel that in the overall civil aviation debate their increasingly significant role in UK air transport affairs has been overlooked.

It all adds up to the likelihood of a very busy winter indeed for the civil aviation planners. Never before have so many issues requiring urgent solutions arisen at one time.

Some can be dealt with in isolation, and some can be dealt with more quickly than others.

Fast growth for boxed wine

BY CARLA RAPOPORT

BOXED WINE is expected to account for 11 to 12 per cent of Britain's £1.5bn-a-year wine market this year, due to the growing popularity of this form of wine packaging.

"Considering that wine is a very conservative market this is dramatic growth," said Mr David Robey, a marketing executive at Stowells of Chelsea, a leader in the boxed wine market. "This represents a tremendous success."

Boxed wine was introduced in Britain in 1981 and quickly took 6 per cent of wine sales by volume. Last year boxed wine was believed to have accounted for 9 per cent of the market. This year, boxed wine sales are expected to total about £180m, according to Stowells, and account for between 11 and 12 per cent of the volume sold.

"In a market as big as wine, this is a colossal share," Mr Robey said.

Sales of light wine in general have grown dramatically this year since the Chancellor of the Exchequer made an 18p a bottle tax reduction in March. According to Customs and Excise statistics, table wine sales in April and May were up by more than 40 per cent compared with the same month in 1983. Wine wholesalers expect the advance in the year to be about 15 per cent in 1983.

Boxed wine is doing particularly well in off-licence shops, where sales have increased by more than 20 per cent in June 1984 compared with June 1983. Wholesalers see room for further growth in pubs, an area which has not yet been fully exploited by the boxed wine wholesalers.

The continued growth is being helped by the move to put better quality wines in boxes. Colmans of Norwich, a subsidiary of Reckitt and Colman, announced last month that it would be introducing four quality wines in two-litre boxes. Colmans is aiming to develop the sales of quality wine in boxes while keeping the cost of a box under £10.

Even though UK wine consumption has quadrupled since 1970, per capita consumption of wines is still well below that of West Germany and France.

The sales of boxed wine are believed to have widened the wine market in Britain because they have helped to reduce the mystique surrounding the purchase of wine.

Supasnaps invests £4m

BY ELAINE WILLIAMS

SUPASNAPS, the retail photographics chain, is investing at least £4m to set up new outlets, buy film processing equipment and install a sales computer system.

The investment comes at a time when competition is fierce due to the relatively low growth rate of film processing and the high cost of keeping up with technological progress.

There are only about 100 photo-finishers left in the UK. Five years ago there were 300. Small businesses have suffered at the hands of larger chains such as Boots.

Supasnaps, part of the 3M group, has grown from 30 outlets to a nationwide chain of more than 340 shops in four years. By the end of the year it will have 400.

In film processing, Supasnaps has taken 9 per cent of the market in four years.

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The Debentures specified above are to be redeemed for the said Sinking Fund at the option of the holder (a) at the Receive and Deliver Windows of Citibank, N.A., 111 Wall Street—5th floor, New York, New York 10043 or (b) subject to any laws or regulations applicable thereto, at the main offices of Citibank, N.A. in Amsterdam, Brussels, Frankfurt (Main), London (Citibank House), and Paris and the main office of Kredietbank Luxembourg S.A. in Luxembourg, the Company's Paying Agents. Payment at the offices referred to in (b) above will be made by check drawn on, or by a transfer to a dollar account maintained by the payee with a bank in The City of New York. On the redemption date said Debentures shall become due and payable at the redemption price and on and after said date, interest on said Debentures will cease to accrue. The Debentures specified above should be presented and surrendered at the offices set forth in the preceding paragraph on the said date together with all interest coupons maturing subsequent to the Redemption Date. Coupons due October 15, 1984 should be detached and presented for payment in the usual manner.

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September 14, 1984

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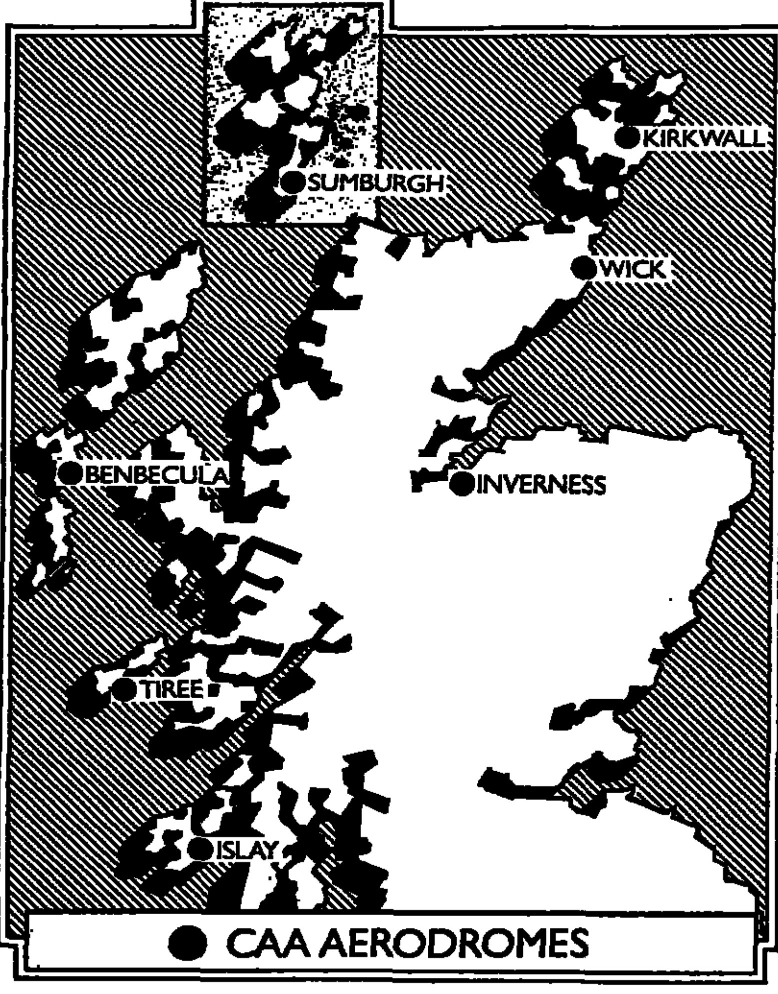

	Area (Acres)	Traffic Income Year ended March 1984 £
SUMBURGH (SHETLAND)	270	2,979,000
INVERNESS	533	1,042,000
KIRKWALL (ORKNEY)	350	318,000
BENBECULA	503	271,000
WICK	405	162,000
ISLAY	403	50,000
TIREE	1140	35,000

Civil Aviation Authority

CONSTRUCTION CONTRACTS

£10m work for Rush & Tompkins

RUSH AND TOMPKINS has secured major building contracts worth more than £10m. The largest, valued at £2.8m, is for the shell of a new Fine Fare supermarket in Sunderland. Work has just started on the 4,660 sq metres store, which incorporates a two-level underground car park and will take 16 months to complete. Much of the construction is suspended over a deep disued railway cutting.

Also just started in Welwyn Garden City, Hertfordshire, is a £2.1m contract for extension and alteration to Hertfordshire police headquarters. Piling is now under way for the four-storey reinforced concrete extension which will house a traffic control centre covering the M25, A1 (M) and M1.

A £2.5m management contract started recently in Leatherhead, Surrey for four research and development units which will provide a total of 6,000 sq metres of office and industrial space. Phased handover of the two-storey steel-framed aluminium clad buildings to developer Salamander Estates is expected to begin in December, with completion due in March, 1985.

Conversion of an industrial building in Lancaster is now under way to provide a 30-bed hospital with consulting facilities and a full operating theatre for Nuffield Nursing Homes Trust. About 40 per cent of Rush and Tompkins' £1.44m contract is for mechanical and electrical installation.

*

A £9.8m contract to build a prestigious office development in Subank Jaya, Malaysia, has been awarded to **TEAMWORK MALAYSIA SDN BHD**, an *associated company of the Taylor* Woodrow Group. The order has been placed by United Estate Projects Bhd, of Kuala Lumpur, and is due for completion in May 1986. It calls for twin interlinked office blocks of 12 and 15 storeys respectively to be built on a site in Subank Jaya town centre, Petaling Jaya, Selangor. The towers will have reinforced concrete frames on piled foundations. They will have brickwork external cladding and high standard internal finishes. Mechanical and electrical services as well as external works are also included in the contract.

*

COSTAIN CONSTRUCTION, Chelmsford, has begun work on a new letter sorting office in Short Street, Southend. The building will consist of a single storey steel-framed sorting office, linked to a three-storey administration block. The £4.4m contract includes construction of a railway platform for use by mail trains, alterations to the existing road junction and extensions to Short Street. Car and lorry parking facilities, loading platforms and ancillary buildings are included in the contract, which is due for completion in December 1985.

*

MILLARD CONTRACTORS of Tipton, West Midlands, has been awarded contracts valued at £3.6m. The Sutton Housing Trust has placed a contract for 26 sheltered flats and other accommodation at Trent Vale, *Stoke-on-Trent, worth £644,000.* The City of Birmingham in a design and build contract has placed an order for 41 small industrial units at Neachells, valued at £700,000. Dudley Metropolitan Council has awarded two pre-paint repair contracts. New windows, doors and door frames are being *replaced in houses in the Brierley* Hill and Sedgley areas in two similar contracts with a total value of around £750,000. The City of Worcester has placed a contract for window replacement and brick parapet repairs in multi-storey flats at Tybridge Street, Worcester, value £270,000. The small works department has received orders from the Dudley Health Authority for alterations to Annexe Ward A3 at Wordsley Hospital, Stourbridge (value £109,000) and the Telford Development Corp has placed a contract worth £80,000 for factory extensions at Keysan, Halesfield Industrial Estate.

£5m batch for Tilbury

TILBURY GROUP has been awarded contracts worth nearly £5m. Among those won by Tilbury Construction, Twyford, is one from the National Coal Board, value £1.1m, for the complete refurbishment of 59 dwellings on the South Ham Estate at Basingstoke. It involves roofing, heating, plumbing, fencing, drainage, electrical work and decoration. The Twyford office will also construct a reservoir and pumping station for the Thames Water Authority at Northleach in Gloucestershire for £650,000. The Newton Abbot office has been awarded two contracts by the Property Services Agency. One, worth £875,000, is for the construction of a new diving centre at the Naval Base at Devonport. The other, at the Portland Naval Base, involves the construction of a workshop and electrical sub-station along with offices costing £375,000. Four British Rail contracts, totalling £460,000, have gone to the Ipswich office. These include the design and construction of footbridges at Stansted, Great Chesterford and Whittlesford stations, and hte demolition and reconstruction of a bridge at Needham Market, on the Liverpool Street to East Anglia line.

Tilbury Roadstone, another subsidiary of the Tilbury Group, has won a £950,000 contract for the black top surfacing element of the western section of the A45 Ipswich by-pass. Work has already started on this job, which should be completed within two years.

*

MARPLES INTERNATIONAL has been awarded a £2m contract by West Sussex County Council to construct the first phase of the Horsham, West Sussex, northern bypass. The road will be the first stage of a scheme to link the existing A24 Horsham western bypass with the A264 Crawley Road. The 24-month contract includes the construction of 1,200 metres of dual carriageway and 250 metres of single carriageway. It also includes a roundabout, a reinforced concrete bridge over the main railway line, and landscaping and tree-planting.

*

WIMPEY CONSTRUCTION has won a batch of orders worth £2.1m. Improvement to 106 dwellings on the Boghouse Estate, Felling, Gateshead is to be carried out by the Newcastle office for Gateshead Metropolitan Borough Council under a £1.27m contract. The buildings will be extensively repaired and modernised between October 1984 and April 1986 under a programme organised by the Borough's Department *of* Architectural Services.

Ninety-two dwellings on the Hardwick Estate in Stockton-on-Tees, Cleveland, are to be altered and improved by the Middlesbrough office between September 1984 and September 1985. A £500,000 contract has been awarded by the Stockton Borough Council. Work will include replacement or upgrading of windows and doors; attention to roofs, brickwork and plastering; the installation of new plumbing and wiring, central heating and kitchen units.

Texas Homecare has awarded a £333,000 contract to the Manchester office for fitting out a single storey retail warehouse on the Wardley Industrial Estate, Manchester.

*

WALTER LAWRENCE PROJECT MANAGEMENT has commenced work on a major shopping centre development in the heart of Gillingham town centre, Kent, on behalf of the Gillingham Borough Council. The £1.7m project consists of a 20,000 sq ft supermarket for International Stores which will be linked to the western end of Gillingham High Street by means of a covered shopping mall. The mall will contain two smaller shops and some office accommodation. Car parking for 169 cars will also be provided. Walter Lawrence expects to complete the building work by December 1985.

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£11m Saudi project for R. Douglas

The R. M. Douglas Construction associate company in Saudi Arabia, **AL-ESAYI-SAIF NOMAN DOUGLAS**, has won a £10.8m contract for construction of an enclosed shopping precinct and residential area at the seaside town of Al Khobar. The contract, funded by Grindlays Bank and guaranteed by the ECGD, calls for the design and construction of a residential and commercial centre comprising car parking facilities, shops and offices. At street level the building will be approximately 127 metres by 43 metres, surmounted by three separate tower structures of three storeys each.

*

McLAUGHLIN AND HARVEY has been awarded contracts worth £2.1m. The largest is for the refurbishment of prestige offices at *Old Jewry in the City.* The Old Jewry contract, awarded by MEPC, is worth £1.2m, and will involve the fitting out of offices to multiple tenants. McLaughlin and Harvey has also been awarded a contract worth £673,000, for building offices in Lincoln's Inn Fields for King Street Developments. Other contracts, awarded *during August*, in the fields of demolition, clearance and refurbishment, total £220,000.

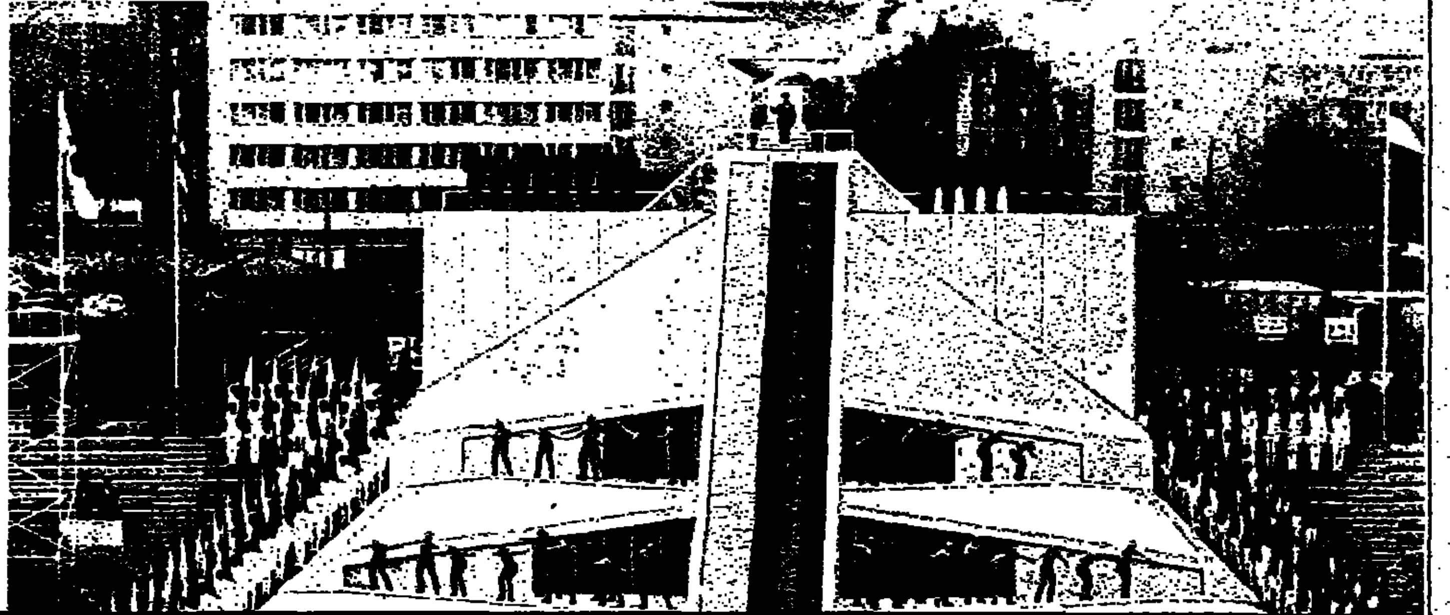
*

Some of the world's most advanced metering equipment will be made in new high-technology production facilities designed and built by the East Anglian division of **FAIRCLOUGH BUILDING**. Work has already begun on the 43 week project for Sangamo Metering, a division of Schlumberger Electronics (UK) for a single-storey production building in Felixstowe, Suffolk. The steel-frame building on piled foundations will be clad in brick and curtain walling, and Fairclough's contract includes the installation of all mechanical and electrical services, together with all necessary site works, roads and drainage, worth around £1.4m to Fairclough, this is the first of four projected phases. Over 150 tonnes of structural steelwork for the project will be supplied and erected by Robert Watson and Co (Steelwork) of Bristol, also a member of AMEC.

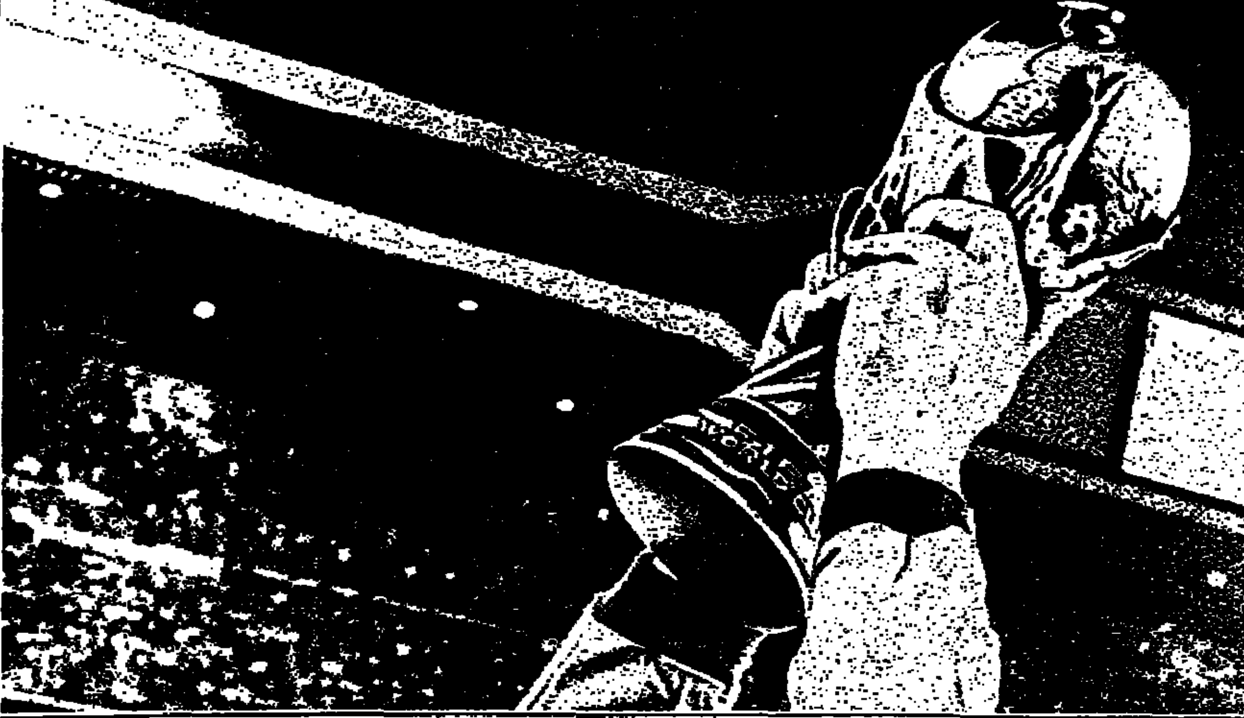
For the 1984 Winter Olympics in Sarajevo, Philips designed and installed the lighting systems for most of the sports complexes, using computer simulation techniques to ensure that the systems would meet both athletes' and spectators' sight requirements. The 70 metre ski-jump, for example, required unique design features to concentrate the light along the flight path between take-off and landing point.

The lighting was also designed for colour television transmission and 22 Philips television cameras were in use throughout the games. Not surprisingly, Philips proven expertise in this specialised area of lighting sporting events is also used in the Calgary Saddledrome, planned site of the skating and hockey competitions of the 1988 Winter Olympics in Calgary, Canada.

The 1986 World Cup Soccer competition will take place in Mexico. Televisa, the largest Latin American television corporation, will provide facilities for the world-wide broadcast of this event. They have recently signed an order with the Philips company Pye TVT for a new broadcasting installation, including 160 cameras, of which



We made sure you saw the Olympics in Sarajevo - and we'll do the same for the World Cup in Mexico.



100 are LDK6 computerised cameras, recognised as the finest broadcast-standard cameras in the world, nine completely equipped outside broadcast vans, and equipment for a new international broadcasting centre (which will provide switching and continuity). An extensive training programme and full logistic support is also included in what is believed to be the largest single order for broadcasting facilities ever placed.

On the other side of the globe, Philips has supplied the Korean Broadcasting Authority, KBS (which will network the Pan Asian Games in 1986, and the 1988 Summer Olympics) with 50 UHF television transmitters.

These are but some examples of Philips leadership in the fields of lighting and television. For more information about Philips expertise world-wide, write to the Philips organization in your country or to Philips, VOA-0217/EW11, Eindhoven, the Netherlands.

Philips. The sure sign of expertise world-wide.

Photos: ANP-Foto, Amsterdam.

THE ARTS

Side by side in New York—Philip Johnson's post-modern AT&T headquarters (left) is flanked by orthodox modern IBM headquarters, both recently completed

Architecture

Colin Amery

A world of paradox

Today marks an anniversary. It is an event that is likely to be unnoticed in the homes of most readers of this page. Even if I spell out patiently and slowly the fact that it is the seventh anniversary of the arrival on the scene of a book, *The Language of Post-Modern Architecture,* I doubt whether there will be a deafening fusilade of champagne corks. Even though there is for an entire week a Post-Modern Celebration in a gallery in the capital it is unlikely that the populace will be dancing around colourful maypoles.

Seven years ago the writer and designer Charles Jencks published the first edition of his book. In 1977 he had a clear purpose—he saw a new kind of architecture emerging that was to mark the end of avant-garde extremism, a return to some of the earlier traditions and an effort to produce an architecture that "communicated" with the public.

Charles Jencks enjoys communicating. He writes fluently and photographs from the hip. I doubt whether there is anyone else in the world who has seen, recorded and discussed so many of the architectural manifestations of the last 20 years. He is incessantly on the move and yet he has found time to design three homes for his family. *In all of them he has* been able to explore his ideas. Some of his latest furniture and views of his London house are to be seen in the present London exhibition.

There is no doubt that somebody like Jencks is a phenomenon that could only have happened towards the end of the 20th century. His development of a new climate of architectural discussion depends on the rapid use of the media and an attachment to the fast moving international style circus. Post-modern architecture has spread through the world like a mild epidemic, catching but not dangerous. *What is more important* is the fact that the intellectual climate has been changed—architecture has been freed from the reins of dogma—but it is not clear yet, what this freedom really means.

For artists and architects there is no longer any need to be abstract or to rely on the truth of materials. It is permissable to communicate a *meaning through your work* and sometimes it is the struggle to decide exactly what "meaning" post-modern architecture should have that has rendered it confusing. Jencks is right when he says that it is now possible for the aesthetic tastes of a small urban group to influence the whole world very quickly. This, I feel, can just as easily make that influence very slight.

The great strengths of what we used to call "modern" architecture was that it used materials and simple design parameters that made it immediately international. Its vocabulary was *limited and that is* why the post-modern reaction has concentrated on a kind of achitecture that allows for some kind of symbolism.

But th symbolism is simple and obvious, and usually it is not visually very satisfying; it is there as part of the paradox —a sign of the problem. Although it is right to claim that much of the latest architecture is apparently accessible to a wider public I doubt whether it actually "means" much more than the old-style "modernism."

Who are the post-modern architects? James Stirling, Terry Farrell, Jeremy Dixon are *the only serious English* contenders. In America there are many more — Michael Graves, Robert Venturi, Robert Stern, Stanley Tigerman, Charles Moore, Tom Beeby, Thomas Gorden Smith. In Europe the works of Bofill in France and Spain must qualify as do the interesting works of Hans Hollein, the Krier brothers, Aldo Rossi and Mario Botta.

I think Jencks is wrong to include in his mania for classifications the English architects who continue the classical or vernacular traditions without much sign of experiment. *The modern urge* to classify recent history, and thus render it significant before it has proved its worth, is one of the greatest dangers of the kaleidescopic sweep of the Jencks view. There is little meaning in categories like Abstract Representation and even less in the New Tuscanism —they are just words lurking around possible yet-to-be-defined concepts.

I have always shared the view that architecture is a public art, but this does not mean I find it easy to accept the facile application of trivialised classical elements that some post-modern achitects feel is making architecture more accessible. The flat façades, weak detailing and pale palette of much recent architecture are little more than symptoms of architectural anaemia. A public art depends on share values and not on imposed styles, however strong or weak.

I think it is time for the post-modernists to stop dropping keystones and working in a childish *appliqué* of motifs and consider for a moment some of the eternal truths of architecture. Architecture is (as Charles Jencks's London Thematic House shows so well) an understanding of space and light. The application of detail and ornament is as much to do with the articulation of light and an understanding of nature than with the imposition of dubious intellectual ideas.

Happy seventh birthday post-modernism — you have a long way to go.

A Post-Modern Celebration is at Knoll International, 20 Savile Row, London, W1, until September 21. *The Language of Post-Modern Architecture,* by Charles Jencks, is published by Academy Editions, London.

Arts news in brief...

The 30th anniversary production of Sandy Wilson's musical comedy *The Boy Friend* will open in the West End at the Albery Theatre next Thursday, September 20, following its run at the Old Vic. To coincide with the West End production, a new cast recording of *The Boy Friend* will be released.

The production stars Anna Quayle, Derek Waring, Peter Bayliss and Paddie O'Neil.

*

The Earl of Dr?gheda will open the Tenth International *Antiquarian Book Fair on September* 19 at the Park Lane Hotel, Piccadilly.

With 143 exhibitors from 14 countries, the Fair is a major attraction for bibliophiles, offering for sale some 30,000 items, a vast range of fine, rare and unusual books, together with maps, prints, manuscripts and autograph letters.

*

The Royal Opera House has appointed Peter Burian as chorus master to the Royal Opera from the opening of the 1984-85 season. His first work with the chorus will be on the company's new production of Wagner's *Tannhäuser.*

*

The Arts Council has approved 22 jazz bursaries of between £400 and £1,600. These were selected from a total of 87 applications. The awards include three of £400 each to members of the group Loose Tubes who will be preparing new material for the band. Another award goes to jazz drummer Allan Ganley who will be writing a suite in commemoration of three great British jazzmen—Tubby Hayes, Keith Christie and Pat Smythe.

Also with the help of a jazz bursary, Gillian McGregor will study vocal techniques including "double-voice" singing and Terry Disley will be writing a new jazz work in celebration of the Thames Flood Barrier.

*

The Arts Council has appointed five artists-in-residence: Nicholas Pope at the Museum of Modern Art and Wolfson College, Oxford University; Jennifer West at the Whitworth Gallery, Manchester University. Hughie O'Donoghue at the National Gallery, London; Jonathan Froud at the Walker Gallery, Liverpool; and Dhruva Mistry at Kettle's Yard Gallery and Churchill College, Cambridge.

Keith Lewis/Wigmore Hall

Andrew Clements

The New Zealand-born tenor Keith Lewis is no stranger to London audiences: he has appeared with both Royal and English National Operas and in the concert hall. But his programme at the Wigmore Hall last Thursday night was his recital debut; he was accompanied by David Harper in songs by Mozart, Beethoven, Schubert and Strauss before the interval and Janacek and Rakhmaninov afterwards.

The choice of music may have been calculated to show off Mr Lewis's lyric voice to best advantage, but it did not always make for an ideally varied or interesting concert. The opening Mozart gave notice of his qualities—a plentiful supply of even, unforced tone, in an easy way with phrases, a lucid presentation. But it also revealed a certain lack of variety in his approach, a failure to change pace, which often lulled the music and the listener into a quite pleasant yet bland daydream. Schubert really sounded very little different from Mozart (the dramatic force of "Nachtstuck" underplayed), and while Strauss elicited more power, there was no comparable increase in intensity—the opening of "Morgen" was quite astoundingly unmagical.

Yet the robustness of Janacek's Four Folk Songs and a selection of Rakhmaninov stirred the spirits rather more. Here at last Mr Lewis did reveal his ability to focus the dramatic force of a song and to etch its character more sharply. Rakhmaninov's "The Harvest of Sorrow" (sung in Russian) was the evening's highlight, ending with a remarkable demonstration of sustained, beautiful tone, and in this final group also Mr Harper found more interest in the accompaniments than he had anywhere before.

Choral Symphony/Albert Hall

Max Loppert

The major portion of Friday's penultimate Prom was devoted, as tradition demands, to the Beethoven Ninth Symphony. Unlike so many Prom Ninths of recent seasons, it was in no way a comfortable, traditional, easy-going Prom reading. In the absence (through illness) of Lovro von Matacic, the Philharmonia was conducted by Stanislaw Skrowaczewski, very recently installed as the Hallé chief. Mr Skrowaczewski has a clear view of the work to put across — not one that offered involvement, consolation, or exhilaration of the expected kind but, on its own rather stringent terms, undeniably impressive.

Neither orchestra nor Philharmonia Chorus had apparently had sufficient time to become fully acquainted with the febrile arcs of Mr Skrowaczewski's beat—the quality of playing and singing was marked by unpredictable swings from conviction and purpose to ragged imprecision. The business of executive clarity was not made any easier by the conductor's determination to drive the work headlong—in feeling, if not in actual minutes and seconds (of which I kept no record), this was one of the fastest Ninths I can remember.

Moments of repose, of brief relaxation to appreciate glimpses of the mightly territory all around, of Adagio lyricism, are foreign to Mr Skrowaczewski's view of the work; the impetus was unsparing. For that very reason it was a limited view, but its urgency held far greater and more authentically Beethovenian conviction than the better-groomed and more suavely proportioned one we have heard in London of late.

The first part of the concert formed the Prom outing of the BBC Singers under John Poole. Mendelssohn's *Hora est* for four choirs, a sample of the youthful composer's quick (if not very deep) absorption of past models (in this case the multichoral Baroque motet), was effectively delivered. Strauss's *Deutsche Motette,* which has been revived in London's smaller halls with some success, went less well — the writing is of a multilinear complexity that the Albert Hall acoustics contrived to blur, and in truth it was often hard (without score in hand) to know whether the nasty sticky mush of slowly shifting chromatic harmonies was the product of acoustical haze or of performance gone adrift.

Turandot/Covent Garden

Max Loppert

Major cast changes provided at the weekend the opportunity for a second visit to the new Royal Opera *Turandot.* Though these must be the main business *of this notice, it was interesting* and rewarding to se that the basic strengths of Andrei Serban remain unharmed by a central change of focus.

The successors to the roles of Turandot and Calaf are a much more traditional, conventional pair than were the *original occupants,* Gwyneth Jones and Placido Domingo; the whole show seems to have slightly relaxed, and gone slightly less crisp than on opening night (ensemble, of instruments and of dancers, was often a little ragged on Saturday). Yet the high colour, barbaric exuberance, and dramatic freshness of perception have been preserved.

Ernesto Veronelli, whom one remembers, pityingly, from last season's *Esclarmonde,* is obviously much more at home in Puccini than in Massenet; and sings out, confidently and clearly (if somewhat unrhythmically) in tones not specially appealing, but *well-knit. In* gesture, shape of phrase, and in the play of facial expression, this is a Calaf entirely from stock; but at least it is free from the vulgarity so often part of the same stock. Mr Veronelli's handsome aquiline features are not flattered by his whiteface makeup and wig; he is reasonably well rehearsed in the pro*duction*

More significant is the arrival of Gehna Dimitrova at Covent Garden. The Bulgarian soprano has a voice of genuine dramatic fibre, range, and amplitude—it was a surprise, in these days of shortage, to be reminded of a type of singer who can without strain fill *an opera house with* sound. Some of that sound, it has to be said, is distinctly unbeautiful—the big climaxes of "In questa reggia" were true but hard and shrill, and generally it seems fair to say that though Miss Dimitrova is never an unmusical or insensitive singer, there is little radiance, *lyricism,* or expressive individuality to her.

She is a practised Turandot, more vivid of hand gesture implying the long red fingernails that are here absent) than mobile of face—the voltage of electricity that had sparked between Jones and Domingo *was notably turned down.* One of the best things about this production, which this performance affirmed, is its appreciation that Turandot is "about" more than just its central couple.

Book Review

Denys Sutton

In search of K

Kenneth Clark. A Biography by Meryle Secrest. Weidenfeld and Nicolson, £12.95. 352 pages

Lord Clark, who died in 1983 at the age of 79, won a world-wide reputation as a spirited and learned commentator whose insight enabled many people to appreciate aspects of the arts that hitherto been closed to them. His famous television series, *Civilisation,* was an immense success and the book based on the programmes sold over a million copies. Clark was delighted; he loved "showbiz." He was lucky to have been the right man at the right time.

He has been less than fortunate in his first biographer. Mrs Secrest has taken considerable pains to consult as many of Clark's friends and colleagues as possible and to read his letters (direct quotations from them were prohibited), but she has been unable to fuse the details into a coherent whole. Presumably her aim was to paint a portrait of Clark, warts and all; she has tended to fasten on the warts.

Mrs Secrest has been at a further disadvantage. Kenneth Clark's own autobiography, at any rate the all important first volume, *Another Part of the Wood* (1974), is both entertaining and informative. The heavy-handed Mrs Secrest cannot compete with its charm and she has failed to follow up many of the clues it offers a biographer.

Kenneth Clark retailed with gusto the stories about his father who had a weakness for drink. Clark senior, who was exceedingly rich, comes over as a most sympathetic figure, with a love of the stage and art. His son inherited both traits. Essential to K—as he was always known—Clark's nature was a sense of humour; he had an eye for the absurd; his account of his taking his tipsy father up to bed has true comic touch.

Mrs Secrest is interesting about Clark's time at Winchester which, like most public schools in the inter war period, was grim, and she draws on the recollections of some of his contemporaries. Clark found a way into his own world of enchantment — that of the Japanese print which he came across in the house of the school art-master, and of Italian art. How curious that two of our most gifted commentators on art, Clark and Sacheverell Sitwell, should be delighted by the masters of Uki-yo-e.

Doubtless the tough experience of life at Winchester helped to shape Clark's personality (he was always a shade aloof) but he was a shy man. Characteristically however, as his autobiography stresses, he looked on the bright side of things. He had seen Ibsen's *Ghosts* when young and this had made him realise, all the same, the cruel surprises that could occur in life. When he saw the play again in later years, it made him faint: it had brought back sad memories. This anecdote is enough for Mrs Secrest to propound special theories about Clark's nature. She makes much, for instance, of Clark being punctual. Surely this indicated no more than normal good manners.

Mrs Secrest's researches have enabled her to fill in fresh details about Kenneth Clark's life but the passages about Berenson, I Tatti and the National Gallery make slight impact; we have been told all this before with a much livelier guide, Kenneth Clark himself. She fails to inform us about K's contribution to the National Art-Collections Fund; for years the chairman was his close friend Lord Crawford. Then, what about K's role in the House of Lords? Did he often intervene in debates and, if so, on what subjects?

Instead Mrs Secrest's chief interest lies in uncovering as much as possible about Lord Clark's private life. She makes much of this. Kenneth Clark liked women (good for him!) with whom he seems to have felt more at ease than with many men.

For all his self possession, Clark was a complex figure, who found his escape in romantic relationships pursuing his *amours by post* he wrote no fewer than 1,500 letters to one lady. *He was not a Don Juan* but had a taste for *amitiés amoureuses.*

The author does a spirited hatchet-job on Lady Clark. A few words would have been sufficient about her alcoholism but Mrs Secrest has a field day with it. She tries to turn the domestic sorrows of the Clarks into the scenario for a play by Eugene O'Neill. Jane Clark had bewitching Irish charm; Clark was devoted to her and relied on her judgment throughout their marriage.

Domestic tragedies are two a penny in our sad world. To some extent it may help us to *understand more about Clark* to grasp the difficulties of his life, but we hardly needed them to be spelled out so pitilessly. He once quoted the words "*essere umano*—to be human." What a pity that Mrs Secrest, who uses them as an epigraph to one of her chapters, did not heed them.

The author shows little understanding of human frailty and is unable to make us appreciate Clark's importance as a writer and talker about art: significantly when writing about his books, she quotes the views of others and has nothing fresh to say about them.

Arts Council marketing & publicity bursaries

For the first time the Arts Council is awarding three bursaries for a year's training in touring marketing and publicity. The bursaries of £4,400 plus travel expenses go to Joanna Baker, Melanie Gilbert and Janet Morrow, and will enable them to undertake a year's secondment with the marketing and publicity officers of major arts organisations.

Joanna Baker will divide her secondment between Welsh National Opera and Cardiff Arts Marketing. Dance Umbrella will play host to 23-year-old Melanie Gilbert and Janet Morrow will spend a year working with the Royal Shakespeare Company on their small scale national tour, the tour to Newcastle and activities at the company's bases in London and Stratford.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

Sept 14–20

LONDON

London Symphony Orchestra and Chorus conducted by Richard Hickox with Oscar Shumsky, violin and David Wilson Johnson, baritone. Walton and Elgar. Barbican Hall (Tue). (638 8891).

London Mozart Players conducted by Jane Glover. Mozart. Royal Festival Hall (Wed). (928 3191).

Marcus Dods Memorial Concert: London Concert Orchestra conducted by Sir David Willcocks with soloists including Josephine Barstow, soprano and Malcolm Binns, piano. Rossini, Mozart and Faure. Barbican Hall (Wed).

London Soloists Chamber Orchestra conducted by David Josefowitz. Bach, Mozart and Schubert. Queen Elizabeth Hall (928 3191).

Tate Chamber Orchestra with Richard Studt, director and violin and Jack Brymer, clarinet. Grieg, Mozart and Vivaldi. Barbican Hall (Thur).

PARIS

Jean-Louis Steuerman, piano: One hour with J.S. Bach (Tue 8.30pm). Sorbonne, Amphi Richelieu, Metro Luxembourg (549 1483).

Paul Kuentz Orchestra and choir: Mozart, Francaix, Vivaldi, Telemann (Tue 9pm). Saint-Severin Church (633 8761).

Paris Chamber Music Festival – Schumann (Tue 8.30pm); Beethoven (Wed 8.30pm). Billettes Church, 24 Rue des Archives, Tickets on arrival.

Nouvel Orchestre Philharmonique conducted by Marek Janowski, Lynn Harrell, cello: Britten, Schumann, Beethoven (Thur 8.30pm). Theatre des Champs Elysées (723 4777).

ITALY

Stresa: 23rd International Festival (mainly chamber music) in a pleasant setting on the banks of Lake Maggiore; Teatro del Palazzo dei Congressi: The pianist Andrea Lucchesini playing Clementi, Schumann and Chopin (Mon). Orchestra of the Teatro Regio in Turin, conducted by Milan Horvat with the flautist Severino Gazzelloni and soprano Ursula Reinhardt-Kiss, Mozart and Mahler. Festival box office: 31095 or 30459.

VIENNA

The Broadlands Singers, hymns and folksongs from England at the Karlskirche (Mon).

Peter Planyavsky organ, Brahms, Bohm, Bach, Reger and his own work. Stephansdom (Wed).

Andreas Ehm, piano, Johanna Ziegler, violin, Mozart, Schubert, Prokoviev. Bosendorfer Saal (Thur).

BRUSSELS

Palais des Beaux Arts (512 5045): Mahler, Sibelius (Sat).

Rotterdam Symphony Orchestre conducted by James Conlon with Murray Perahia, piano, Beethoven, Liszt (Wed).

Belgian National Orchestra conducted by Mendi Rodan with J Vanden Eynden, piano – Laporte, Ravel, Mahler (Thur).

TOKYO

Little Consort Amsterdam playing medieval musical instruments in concert of improvisation and medieval music. Ongagku-No Tomo Hall (235 2115). (Tue).

Ensemble Orchestra de Paris conducted by Jean Pierre Wallez with Setsuko Iwasaki, piano. Mozart, Faure, Florentz. Shinjuku Bunka Center (461 2590). (Wed).

Toho Memorial Orchestra, conducted by Seiji Ozawa. Mozart, Schumann, R. Strauss. Tokyo Bunka Kaikan (511 1699). (Mon, Tue).

NHK Symphony Orchestra. Conductor Jiri Belohlavek with Shinya Koide, flute. Novak, Blodek, Dvorak, Janacek. NHK Hall. (Wed, Thur). (465 1789).

WASHINGTON

National Symphony (Concert Hall): Rafael Fruhbeck de Burgos conducting, Emanuel Ax piano: Beethoven, Brahms (Tue); *Fruhbeck de Burgos* conducting, Nathan Milstein violin. Copland, Kodaly, Tchaikovsky (Thur). Kennedy Center (254 3776).

A New Way To Pay Old Debts/The Pit

Michael Coveney

When Edmund Kean triumphed in the role of *Massinger's cruel extortioner Sir* Giles Overreach in the early 19th century, he is alleged to have exclaimed "The pit rose at me." The Pit might well now rise at Emrys James who is giving one of his very finest performances in Adrian Noble's wonderful RSC revival of a play that has languished too long in the shadow if its own reputation, fuelled by second hand reports of Robert Atkins, Donald Wolfit and Oxbridge quadrangle lore.

I once caught a rough-hewn version in a draughty hall on the Edinburgh fringe and remember particularly the incestuous thrust with which Sir Giles propelled his horrified daughter, Margaret, towards a titled marriage.

Emrys James has no time for incest. His Sir Giles is in the grip of a plot to inveigle an aristocratic handle for his unbotrn grandson. He has already laid waste the *Nottinghamshire* gentry by swindling them of their lands and property. He is the bourgeois middle-class upstart ambitions speculator par excellence, a snob and a scoundrel, an altogether kicked piece of work.

The great thing about the play *is the detail in which we see* both the consequences of Sir Giles's rapacity and the style in which he operates. Mr Noble and his designer, Bob Crowley, conjure around the studio peirmeter a grim grey Nottingham manse of stuffed birds, neglected baubles, surly and unappreciated servants and a rich widow (Jane Booker) who is patently mad.

Enter the reduced Welborne, a prodigal nephew of Sir Giles intent on reclaiming his land. Miles Anderson cunningly suggests *an ambiguous claim* on our sympathy here: Welborne is clearly a profligate wastrel, but he is also a righteous corrective to the chaos and injustice caused by his decline.

Similarly, Emrys James enters a conspiratorial contract with the audience which allows him to inflate in the grand manner and then wheedle humorously for favour. He eavesdrops on the proposed seduction of his daughter, the blessed child of his industry and wealth, seraphically played by Julie Peasgood, from behind a floor-level horizontal door, through which he rolls like a grinning maniac when summoned. He treats Welborne with a mixture of subservience and contempt, depending on who's listening, even snicking his face with a knife at one point.

He commands his servant Marall (Anthony O'Donnell in a flurry *of black bird feathers and reluctant deference*) with a stamp on the toe and a kick in the groin.

Above all, Mr James conveys a great appetite for the sport of oppression, a physical relish of the profit motive—the word "profit" is sliced slowly between his teeth—and a chilling propensity to despise his victims. It is a charged and driven performance, one that cracks, when he is done out of the deeds on Welborne's land, into a fractured rage and panic. He then goes "mad beyond recovery," a fate made credible by Mr James's sand-castle style of building empires.

Alastair Muir

Emrys James and Julie Peasgood

Mammon is obeyed on all fronts. Even the alehouse keeper (Timothy Kightley) was humbled and has made something of material comfort with the licence eventually ripped from him. Manners and gentility are fond remembered qualities in a world turned upside down in the materialistic surge of the times. Even the art of cuisine goes unappreciated (Paul Clayton is a very funny chopper-wielding cook) as Sir Giles's corrupt justice, Greedy Woodcock, is more glutton than gourmand, the sort of man who wolfs down a shield of brawn and a barrel of oysters for his *first* breakfast with his mind only on the second.

Jaunty music by Colin Sell and clever lighting by Leo Leibovici contribute to the overall atmosphere of a torn up countryside of grey vistas through which Mr James's memorable Sir Giles romps like an unattended bully boy.

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Monday September 17 1984

Iran's zeal is fading

THIS MONTH marks the fourth anniversary of the Gulf war, a conflict which is threatening to become as much a part of the Middle East political landscape as the feud between the Arab states and Israel.

Neither Iran nor Iraq has the military capacity to achieve a victory in the conventional sense. Iraq enjoys qualitative superiority in weaponry and dominance in the air but after its disastrous incursion into Iran at the start of the war will not seek again to cross the international border. The Iranian regime still proclaims the possibility of victory but the continued delay in launching its much heralded "final" offensive demonstrates the lack of conviction behind the propaganda.

For so long as Iran pursues a victory that it cannot win and Iraq pursues a peace that it will not be granted, the rest of the world, including the super powers and local Gulf states, appear not to be unduly alarmed. No one, other than the two combatants, ever wished for a decisive result to the war. Much better that the two most ideologically and militarily aggressive countries in the Gulf should in tandem sap their energies and thereby diminish the challenge which they could pose to the more conservative Western-oriented governments in the area.

Opec prices

Oil-producing countries have rather more cynical reasons for hoping that peace will not break out too quickly. A sharp increase in exports by Iran and Iraq, anxious to make good extensive war damage, would almost certainly wreck the fragile Opec pricing and production agreement and probably set off another round of price-cutting.

The Iraqi regime is all too aware of these factors and realises that its repeated offers to come to the negotiating table will not in themselves be sufficient to induce a change of mind in Tehran, or attract substantial international support. Crown Prince Abdullah of Saudi Arabia summed up what is probably the majority Arab view when he said that the border war would continue "until Iran's outlook on the nature of things changes."

However accurate that assessment, it is not one that an Iraqi regime with pretensions to control its own destiny can accept. For the past four years Iraq has been landlocked. Its financial reserves are almost exhausted. Its oil exports are running at less than one-third of pre-war levels and it is having to borrow heavily, primarily from Saudi Arabia, in order to sustain the war.

Although Iraq has gone to great lengths to wipe any traces of war from the face of Baghdad, the strain of maintaining up to 1m men under arms is considerable. And while the régime is outwardly confident that it can repel any fresh Iranian offensive, using chemical weapons if necessary, it is also aware of the high casualty toll it will suffer and the probability that, as in every previous Iranian attack, it will be forced to concede a little more territory.

Receptive

There is no indication yet of any desperation by the Iraqi régime, although it must be worried at just how little effect its attacks on tankers carrying Iranian crude oil is having either on the world market or on the level of Tehran's exports. The U.S., perhaps as a result of its unhappy experience in Lebanon, has wisely resisted the temptation to become involved in the tanker war beyond stepping up technical military assistance to Saudi Arabia.

Iraq has little option but to persist with its attempted blockade of Iran's oil exports in the hope that the economic pressure will strengthen the hands of those members of the regime in Tehran who are cautioning against launching another large-scale land offensive. Western nations can play their part by seeking to ensure that the embargo on the sale of offensive military equipment to Iran is as effective as possible.

It is too optimistic to expect that such actions will have much immediate effect on an Iranian regime which looks as secure today as it has at any point since the overthrow of the Shah. But as the regime loses some of its initial revolutionary ardour and becomes increasingly institutionalised, so it must also become more receptive to popular sentiment and what appears to be a steadily diminishing enthusiasm for the war.

The prospects for peace in the Gulf will be immeasurably improved once enough members of the Iranian regime accept that a military victory over Iraq is no longer possible. There are signs that this is already happening but it may take another round of fighting before the point is finally driven home.

Why universities must change

BRITAIN'S University Grants Committee now accepts that the 1963 Robbins Report was wrong to believe that the higher educational expansion it recommended would guarantee economic growth and so finance itself. Events have also shown that Robbins was wrong to believe that if higher educational institutions were handed public money to finance their expansion, they would change to the less academically specialised forms of undergraduate teaching which the report considered necessary.

In calling on the Government for renewed expansion, the grants committee is once again proposing that extra money be provided first and the institutions be for the most part left to make changes on their own account later. But this time, the more "widespread higher education" being advocated is said to be only "a necessary but not a sufficient condition for economic growth."

The proposals, published last week, omit to explain why extensive provision of academic studies beyond school is a necessary condition for increasing wealth rather than, for example, just a result of it. The omission is a pity because, on the evidence of a survey of 139 assorted employing organisations recently published by Brunel University, most British managers disagree with the committee's assertion.

Prevailing view

Except when recruiting for a minority of posts requiring specific technical knowledge, the employers largely believe that what people are taught at a university or polytechnic makes little or no difference to their value at work. The prevailing view discovered by the survey was "that abilities were innate and formed before entering into higher education."

The British managers may of course be wrong, especially in view of the better economic performance of Japan which has been increasing its higher educational capacity. But the content, direction and length of what goes under the name of higher education can differ greatly between countries.

One difference in Japan which was cited last year by a study funded mainly by the Leverhulme Trust, is that Japan has adopted a pattern of initial higher educational courses lasting only two years and less academically specialised than the three-year courses mostly concentrating on a single subject which are the rule in the UK. The Leverhulme study team—which unlike the grants committee included a strong representation of business people—blamed the UK's concentrated three-year undergraduate courses for the heavy tendency of school pupils to specialise from an early age usually either exclusively in arts or entirely in science subjects.

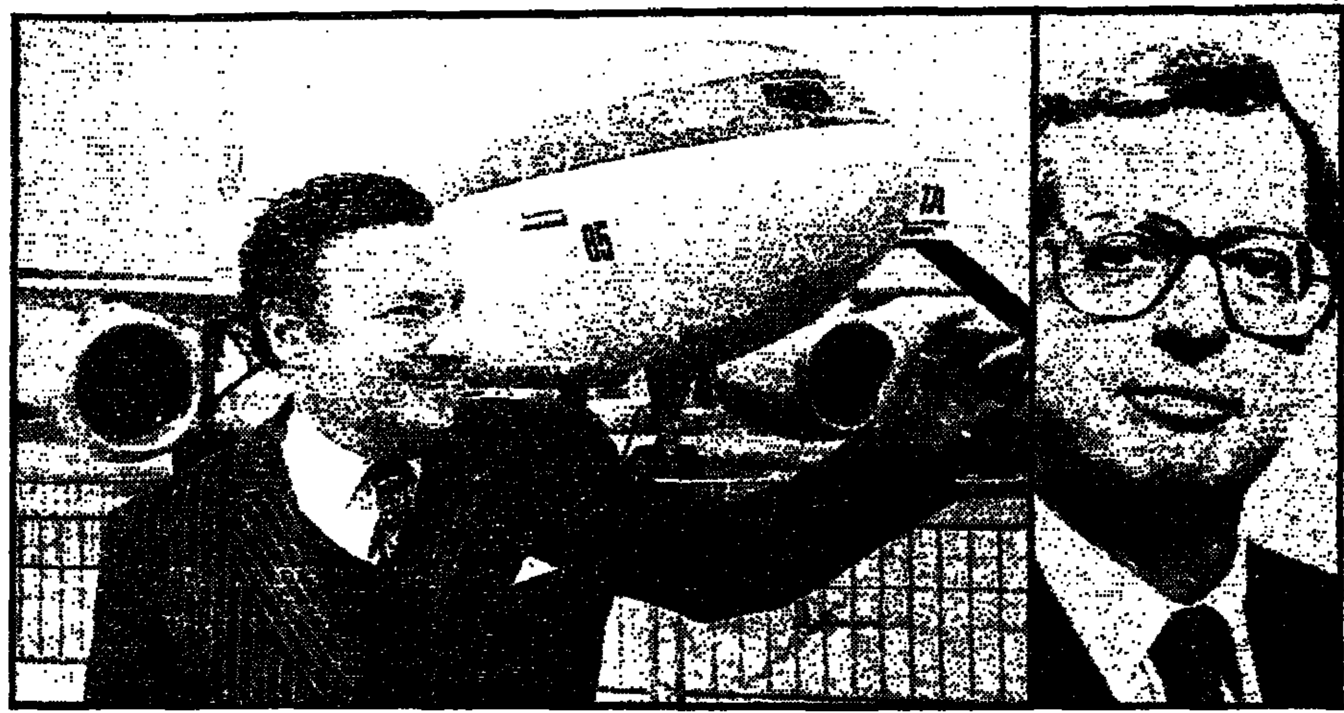
The grants committee also accepts that universities share the blame for the premature narrowing of studies. It deplores the ill effects not only in equipping young people for the wants of employers, but also on general educational grounds. "School-leavers today can be regarded as having a balanced education only if they have followed courses in both arts and sciences throughout their secondary schooling."

But the committee rejects a shortening or indeed any other radical change in the undergraduate courses it wishes increased numbers of young people to take at the taxpayers' expense. The problem of early overspecialisation should be left to be solved by a "positive lead" from the universities themselves.

The same sequence of first giving the institutions the money and trusting them to ake appropriate changes later would apply to most of the numerous other university activities for which the grants committee wants more public money. But the unfortunate fact is that the universities as a whole have given Sir Keither Joseph, Secretary for Education and Science, no grounds for believing them capable of making significant changes on their own behalf.

Unless he is to let hope triumph over experience, he would do well to apply the sequence in reverse. Let the institutions first make some appropriate changes and so provide good reasons for increasing their supply of public funds.

THE PAN AMERICAN AIRBUS ORDER



Airbus Industrie's Bernard Lathiere "happy and tired" (left) and Edward Acker of Pan Am (right)

How the 'white tails' found a new home

By Paul Betts in Paris and Terry Dodsworth in New York

"I FEEL as happy as a mother who has just given birth—happy and tired, but with many babies," remarked M Bernard Lathiere, chairman of the European Airbus consortium, after clinching an order from Pan American for up to 91 aircraft worth a potential $3bn or more.

The champagne corks and flash bulbs were popping on Friday at the Airbus offices in Paris, *around a grinning* M Lathiere and his closest aides. The deal was being hailed in Europe as a stunning breakthrough into the U.S. airline market, a triumph for the European aerospace industry and a major setback for Boeing, by far the world's most powerful manufacturer of civil aircraft.

Viewed from across the Atlantic, however, the transaction evidently looked rather different. Boeing's share price rose by $¾ to $55⅞ on Friday, which was a new high point for the year. And although there was bitterness and disappointment in Seattle, Boeing's West Coast headquarters, there were no signs of despair.

"We can only say we made an offer which we thought covered Pan Am's requirements *and* was commercially feasible to us," the company said sourly. "We have to make a profit to survive."

Wall Street analysts were more blunt. "I think it boils down to price and the fact that Airbus wanted the deal so badly that it was willing to make an offer that Boeing could not match as a publicly-owned company," said Mr Robert Joedicke of Shearson/Lehman American Express.

As the ballyhoo about the Pan Am order begins to dies down, several key questions remain unanswered. How did Airbus pull off the deal and what is its real importance for the European consortium? How will it be financed, given that Pan Am has only recently pulled out of a financial nose-dive and still has a shaky-looking balance sheet? How bad a blow is it all for Boeing?

In Paris, M Lathiere would permit no room for doubt. "It is not the high dollar or the financing that made the difference in clinching the deal," he said. "Boeing could and did match us on that level but Mr Ed Acker (the Pan Am chairman) preferred our technology."

Airbus would not have won the day if it had not been able to match the best that Boeing could offer in terms of operating efficiency but that is only one component of a major airline order today.

The European consortium had between 35 and 40 people working on the deal over a period of about six months of hard negotiations. Boeing, which was determined not to lose a long-established customer, fought desperately—and as recently as this time last week the outcome was still in doubt but, in the end, Airbus had too many aces up its sleeve.

Currency movements were one. With the dollar now over the FFr 9 mark, French exports to the U.S. have been surging ahead. They jumped by 61 per cent in the first seven months of this year.

Across the Atlantic the transaction looked different

The strong dollar was not the major factor, according to M. Pierre Pailleret, the tall vice-president of marketing at Airbus who was perhaps the main architect of the deal. "But it obviously helps us because our costs are not in dollars."

Another key factor in the European consortium's favour was its ability to deliver aircraft more quickly than Boeing. Pan Am has sold 48 aircraft out of its fleet in the past two *years in order to reduce costs* and raise cash, and it wanted to get its new equipment in service quickly to take advantage of the strong economy.

Airbus was able to oblige. Sitting on the tarmac at Toulouse and West Germany, it had 24 unsold A-300-B4 250-seater aircraft, known in the industry as white tails because they carried no airline's insignia. These have made possible the first stage of what has been set up as a three-part deal with Pan Am.

● The U.S. airline will lease 12 of the A-300-B4s and four 220-seat A-310-200s. Airbus expects to deliver between two to four of its unsold aircraft before the end of this year, with the rate rising to two a month from January.

● In addition, Pan Am has *signed a letter of intent for the* eventual purchase of 12 A-310-300s, which is a longer range version of the A-310-200, and for 16 A-320s for delivery in the mid to late 1980s.

● It has also taken options on another 13 A-310-300s, and 34 A-320s.

Boeing had no new aircraft immediately available. "We have no white tails here," it commented, and indeed one of the reasons for its strong stock market showing is that sales are currently scheduled to rise from 146 units this year to 180 in 1985 and 240 in 1986.

As well as having the opportunity to meet Pan Am's short-term needs, Airbus also has the motive. For one thing, it badly needed another foothold in the U.S. market. Apart from 34 aircraft sold to Eastern Airlines in 1977, almost all its total sales of 406 aircraft have been made outside the U.S. For another, it must have been very anxious to reduce its stock of unsold aircraft, built up as a result of cancellations and of a decision to maintain production levels when the market started to turn down. On one estimate, its white tails have been costing FFr 200m a year in finance charges while they have been sitting on the tarmac.

According to one New York banker: "The Pan Am deal will give Airbus much better visibility in the U.S., and the chance of some big sales if the airline is in a position to take delivery in the latter 1980s. But the most tangible benefit is that *it gets rid of those white tails.*" This assessment helps to explain why M Lathiere does not envisage any pick-up in the rate of Airbus production — currently running at about 40 aircraft a year — in the near future. "The industrial impact will not be felt immediately," he said on Friday.

Airbus insists that the transactions will be made on entirely commercial terms, with no government export subsidies or credits. "We didn't win this deal by negotiating a financial package they could not refuse. The offers made by the competition were different but very comparable," said M Lathiere, defending Airbus from the charge that the deal "is being done on the back of the European taxpayer."

As a Government-backed consortium which does not publish any financial accounts, Airbus Industrie is always vulnerable to the charge that *it is prepared to buy business* on kamikaze terms. Its Pan Am success is no exception.

"We know who has been putting around these stories," said M Pailleret darkly. "This is a very standard deal. We haven't accepted coffee beans, cocoa or bananas in return for the planes, nor are we giving any free aircraft or taking back any old aircraft."

All the same, bankers specialising in airline finance take it for granted that Airbus will play a major part in putting together the overall financing package. Without some help in spreading the risk, Pan Am could not even contemplate a deal of this magnitude.

In the three years to the end of 1983, the airline lost $564m, and it has run up another *deficit of $120m in the first six* months of this year. Its balance sheet at the end of June showed $1.25bn of long term debt against $313m of equity.

Analysts say that the company has now turned the corner, and some believe that it could be back in profit next year. But Standard and Poor's, the U.S. rating agency, still assesses its senior secured debt at only B-, which is just about its lowliest rating for a viable concern.

"Pan Am's financial situation doesn't worry us," remarked M Lathiere. "Their overall situation is good, and they have $400m to $450m in cash at the moment."

Airbus is also confident that the letter of intent and the subsequent options are more than mere pieces of paper. M Pailleret said that the letter of intent signed last Thursday was some 200 pages long, whereas such documents often ran to only a couple of pages. "I call it more of a pre-contract than a letter of intentions," he said.

All the same, there are bound to be let-out clauses. For example, Pan Am still needs to make a further breakthrough on costs. The new aircraft are one part of this effort, and another is a proposed wage reduction deal with the unions. The airline is so determined to achieve this that it has told its union members (20,000 out of 27,000 employees) that it will only go ahead with the Airbus agreement if the wage negotiations come to a satisfactory conclusion. It is hoping to cut *around $200m a year out of its* wages and overhead costs running to $850m a year.

The precise leasing terms for the stop-gap aircraft have yet to be defined, although they seem certain to be set up in such a way as to make sure that no new liabilities show up on the airline's balance sheet. According to M Pailleret, the ideal course would be for Airbus to sell the aircraft to a leasing company, which in turn would lease them to Pan Am. The alternative would be for Airbus to deal directly with the airline on the leases.

Looking further ahead to the outright sales, M Lathiere said that no-one could say exactly how each aircraft would be financed, since the deliveries were stretched out between 1986 and 1992. "This will depend on the money markets and other considerations at the time. But it is Pan Am's responsibility."

The airline would raise the money for the orders on the U.S. and international capital markets through a banking consortium, he added. In certain circumstances Airbus would provide partial guarantees—albeit at a cost to Pan Am.

The one thing that is certain about the financial package is that it will be wildly complicated. In what is still a buyer's market, airlines are able to negotiate terms which give them considerable protection against changes in the market-place and in which their potential liabilities can be shared with a wide range of other institutions.

Thus they can blend together an operating lease—in which the lessor retains most of the risks and the rewards—with a financing lease in which they retain much of the equity interest in the aircraft. They can persuade the manufacturer to guarantee the value of the aircraft at some future date in one way or another, to offer spares on advantageous terms, or to reduce the financial burden in some other way. They can take out residual value insurance, a new type of business in which an insurance company agrees to underwrite the future value of an aircraft in return for a premium.

"Whatever the terms of the order, I am sure they will turn out to be extremely favourable," one London banker said. "There must have been some incredible giveaways."

There are bound to be let-out clauses

Without undervaluing the importance of the Airbus achievement, it will be many years before it can be seen whether the letters of intent and options have been turned into commercially-attractive orders. The eventual scale of the transactions will depend on the health of the airline business in general and of Pan Am in particular.

For its part, Boeing has suffered a blow to its pride, but not necessarily to its profit-and-loss account, and it remains a formidable competitor. Moreover, it has reason to remember that in the high-risk game of the airframe manufacturer the announcement of a big order is sometimes only the start of the story. It was, after all, Pan Am's order for the first 25 Boeing 747 Jumbo jets in 1966 *which nearly broke both companies* when the market turned sour in the early 1970s.

Men and Matters

Treasury mission to explain

Nightly television news items highlighting the pound's slump *in value against the dollar have* finally snapped the patience of the mandarins at the Treasury.

ITN and BBC have been hauled in to Great George Street. The following explana*tion has been put to them—it* is not that sterling is going down, but that the dollar is going up against everything.

Would they kindly mention that the pound is holding its *own against other currencies.*

The Treasury has long argued that it is sterling's trade-weighted value against a basket of currencies, not the dollar rate, which is important for the economy.

But to the chagrin of officials, even Mrs Thatcher gets jumpy when the pound drops another cent or so against the dollar.

Now the Treasury's top *mandarin, Sir Peter Middleton,* has launched a new campaign to educate the world on the importance of the trade-weighted index.

Rumours that the dollar rate *will in future only be quoted* a month in arrears after seasonal adjustment can be confidently discounted.

But do expect an announcement from the Bank of England *soon that the index will,* in future be calculated at 4.30 pm rather than at 3 pm.

The change will allow the Bank of England to counter the traditional excuse from City journalists that the index calculation is made too far ahead of the close of markets trading in London to be of any use.

What Marx missed

A new theory as to why the FT is pink has been aired in the West German parliament in *the last few days.*

At the start of the marathon budget debate Chancellor Helmut Kohl proudly fished from his pocket an FT leader that *praised his government* for doing "nearly everything right" in economic policy.

Fine, sneered Hans Jochen Vogel, the opposition leader, the Kohl government had done a *lot for the sort of Germans who* read the FT. But what about the workers?

What about them, indeed, responded Gerhard Stoltenberg, the finance minister, "I reckon *even Karl Marx,* a *highly-*educated man, would have read the FT during his London exile —had it only existed then."

Horse trading

To call Major Christo Philipson a horse-dealer would be about as tactful as accusing his blue-blooded stockbrokers Sheppards and Chase of being bunch of share tipsters.

Philipson, aged 55, formerly of The Life Guards' Mounted Squadron, is managing director of The British Bloodstock Agency, a gentlemanly outfit which occupies an elite place in thoroughbred racing.

The horses it manages on behalf of its mega-rich clients include stars like Mill Reef, *Great Nephew (sire of the* English and Irish Derby winners, Grundy and Shergar), and Niniskу, son of Nijinsky.

This week BBA joins the hopefuls on London's Unlisted Securities Market where it expects to be valued at between £5m and £6m — about the same price as any yearling with exceptional promise.

The directors will be selling a uarter of their shares, and Philipson hints that the BBA may use its USM paper to buy 'other opportunites." He hastens to add that does not mean that BBA will start buying racehorses in a big way on its own account, in spite ofthe fact that profits on horse sales come tax-free.

BBA is keen to stick to its 73-year-old business as an agent —it has been top buyer at

"The NUM gives it 4 stars but the NCB thinks is should be closed down"

Tattersall's December sales for as long as it can remember — and as a bloodstock shipper, insurer, and manager of syndicates.

There will be a notable absence on "D-Day" when the group formally announces its flotation. Chairman Lt.Col Robin Hastings has a long-standing commitment to give a lecture to the Army Staff College about the real D-Day in which he played a distinguished part.

Hammer explores

Dr Armand Hammer is in London today. The 86-year-old chairman of Occidental, one of the world's biggest oil companies, is speaking at a North Sea oil seminar organised by brokers James Capel.

Accompanying Hammer will be a new aide. Hammer has been seeking talent and has found Sir Ranulph Twistleton-Wykeham-Fiennes, aged 40. The leader of the three-year Transglobe Expedition, who has made his name soldiering and exploring, has taken on the job of Occidental vice-president, European Public Affairs.

He replaces Tim Halford who is leaving Oxy after 10 years for a similar job with Grand Metropolitan.

Fiennes has already had business dealings with Hammer. Armand Hammer Productions filmed the Transglobe Expedition.

But what does the explorer know about the oil business. Fiennes admits that he has taken on a tough assignment, but he points out that about half his time will be spent helping Hammer with various charitable exploits such as the Mary Rose Trust, and the projected reconstruction of the Globe Theatre, London.

As for matters oily, he says he has been mugging up all the material he can find on the offshore oil business and is shortly to have a crash course tour of Oxy's North Sea fields.

But it would be most unlike Fiennes to stay put for long. He has warned Oxy that during 1985 and 1986 he will be off to the North Pole.

Will he try to find more oil for Oxy in the frozen wastes? "The pack ice exerts fantastic pressures," says the company's latest employee. "No rig could operate in those conditions."

The man learns fast.

Voices off

A body called International Resource Development has been finding out how people react to voices—*with a view to programming* talking microchips.

A Bostonian accent sounds affected in Dixie, which is not surprising. A Southern drawl sounds "hick" to Yankees.

And, oh dear, a British accent sounds, to U.S. ears, "generally incompetent."

Apparently the best way to talk your way round the U.S. is with the aid of a slight German accent. Most U.S. businessmen consider it "authoritative yet non-threatening."

Observer

USM
Beware of first impressions

In January of this year we published the 1984 edition of our now well-known USM Handbook.

Well-known, that is, to those requiring background information on all companies traded.

Information which includes company activities, top ten rankings, annual high and low share prices (with quarterly figures for the latest year), and a company directory listing chairman, MD., registered office and telephone number.

It really is a thoroughly detailed book. And, at only £12.50, excellent value. There are even special terms for multiple copies.

A pity, really.

Because now it's out of date.

The July edition, however, isn't. It's complete, in fact, right down to the end of June.

Although copies are readily available, we should stress, perhaps, that this is a very popular work. The more so since the price is still the same.

We therefore suggest you order yours today.

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FOREIGN AFFAIRS

What Gromyko wants to know

By Ian Davidson

WHAT ARE the Russians up to? One week after a prolonged propaganda campaign, they succeed in banning the visits to West Germany of the East German and Bulgarian leaders; the next week, Andrei Gromyko, the Soviet Foreign Minister, agrees to meet President Reagan on the occasion of the UN General Assembly session. In between, the top Soviet general is summarily removed from his post without explanation.

It is difficult to rule out the hypothesis that there is a profound power — and policy—struggle in progress. Konstantin Chernenko's known ill-health, and his prolonged absence from public view this summer, make it all too likely that he is coming to be seen as another interim leader, opening up once more the succession issue which was left unresolved by Mr Andropov's brief tenure.

If there is an emerging power struggle, then this might explain the apparent vacillation and incoherence in the area of the Soviet Union's chief foreign policy preoccupation: East-West relations and, in particular, what to do about the Americans.

It is not just a question of public relations

Earlier this year, for example, the Russians proposed U.S.-Soviet space-weapon negotiations in Vienna; but no sooner did the Americans accept, than the Russians began advancing a range of excuses for withdrawing the invitation, on the specious grounds that Washington was making unacceptable conditions about the agenda.

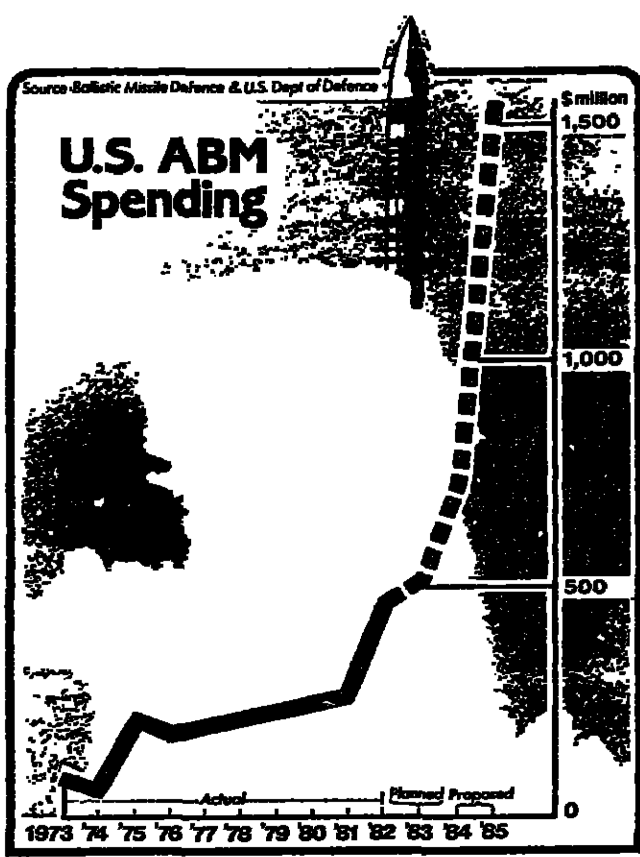
Six months ago, it may have been plausible for the Russians to keep their East-West policy in a holding pattern, in the hope that Walter Mondale would rescue them from Ronald Reagan, and put Washington on a less confrontational track; now, barring accidents, it looks as if they are almost bound to have to face Mr Reagan for another four years.

Two predictions about the Gromyko-Reagan meetings are virtually risk-free. The first is that nothing concrete will be agreed by the two sides, and nothing significant may seem to have been achieved. Ronald Reagan has been rubbing the Russians up the wrong way for four years, and perhaps they deserve every bit of it; but the process has created profound antagonism and disarray in Moscow, and if Mr Gromyko is anything like the hard-liner he is supposed to be, he will certainly not start off by taking the recent softening of Mr Reagan's rhetoric at face value—and with good reason. The Russians may have concluded that his re-election is now so probable that they must start exploring the possibilities of doing business with him; but there is no reason to suppose that they are ready to make him any gratuitous electoral gifts, by suggesting that business has already been resumed.

The other racing certainty is that the two men will discuss the prospects for arms control negotiations. During his first two years in office, Mr Reagan attracted a lot of flak in America and in Europe for his war-mongering rhetoric, but since then his minders have made big efforts to sanitise his language. Now it is the Russians who have the public relations problem: it is they who have walked out of the two nuclear weapons negotiations in Geneva, it is they who have stirred up disquiet by the deployment of gratuitous SS-22 missiles in East Germany and Czechoslovakia, and it is they who are refusing to take part in the space-weapons talks they themselves proposed only a few months ago.

Nor is it just a question of public relations. In Ronald Reagan's America the Russians face an unprecedented peace-time military build-up (subject, of course, to the incalculable repercussions of the budget deficit), and within that build-up, an absolutely unprecedented drive towards a missile defence capability, known officially as the Strategic Defence Initiative, and unofficially as "Star Wars."

Now the Russians may not acknowledge any responsibility for the factors which led up to the Reagan rearmament — the asymmetries in the Strategic Arms Limitation agreements (Salt), and the threatening build-up of their giant SS-18 land-based strategic missiles. But they cannot fail to recognise that the superpowers are dangerously perched on the lip of an offensive-defensive arms race that could blow away all existing nuclear arms control agreements.



The heart of the matter is President Reagan's Strategic Defence Initiative of spring 1983, which set in motion a vast programme of research to find a way of defending America (and its allies, perhaps) against the threat of Soviet strategic nuclear missiles. Until now, the superpowers have at least implicitly accepted the proposition that nuclear stability can only be sustained by mutual vulnerability; for if one side looked like having an even partial defence against the missiles of the other side, this might precipitate an offensive arms race, or else a pre-emptive strike, either by the country that believed itself to be (relatively) invulnerable, or by the country that believed itself to be on the point of being (relatively) disarmed.

It was for these reasons that the 1972 Salt 1 agreement was linked indissolubly with the ABM Treaty, which subjected both super-powers to very tight curbs on anti-ballistic missile systems. The Americans claim, with reason, that nothing they are now doing conclusively infringes the 1972 ABM treaty; but it is obvious that the whole purpose of the Strategic Defence Initiative is to discover if there is a way of rejecting the dilemma of mutual vulnerability inherent in the ABM treaty.

Many people believe that it is logically impossible to devise a leak-proof anti-missile defence; the options of target, the virtues of surprise and speed, the existing superiority of missiles and warheads, and the relative cheapness of overwhelming or deceiving any defence by multiplication of missiles and warheads and decoys, give an unassailable edge to the offence.

Others claim that the technology has shifted significantly in the direction of defence since these issues were first battled out in the U.S. 20 years ago: radar, infra-red-sensors, acceleration of missiles, and above all micro-chips and computers.

A third school would argue that, on top of any question of morality, the stability of mutual retaliation has become distinctly frayed at the edges, and now rests on little more than operational uncertainty. Twenty years ago it rested on American superiority; ten years ago it rested on arms control and an illusory ambience of détente; today, some influential Americans believe that their entire Minuteman force of land based missiles may be vulnerable to pre-emptive take-out by the multiple warheads on the Soviet SS-18 missiles. The risks of any such pre-emptive strike may indeed be horrendous and therefore implausible. But it is no longer intellectually sufficient, or politically effective, for defenders of a shifting *status quo* to multiply their re-appeals for calm and assurance, while arms control and East-West dialogue remain in limbo.

One thing seems absolutely beyond doubt: there will be no meaningful negotiations between the super-powers on offensive strategic nuclear weapons, without clarification of the position on missile defence. Despite the deployment limits built into the 1972 ABM treaty, both superpowers have continued to spend money on research and development in missile defence: but whatever the suspicions of Soviet intentions and capabilities: only the Americans have explicitly espoused a public policy which is designed to break the ABM agreement and which, therefore, calls in question the rationale of existing offensive arms agreements.

One reason the Russians walked out of the Strategic Arms Reduction talks (Start) in Geneva at the end of last year, was to ram home their rage at the deployment of the first Euro-missiles: but another reason may well have been that the central thrust of the U.S. proposals—deep cuts in land-based missiles, which account for a disproportionate share of the Soviet arsenal—was rendered even more distasteful by the prospect of an all-out race in missile defence.

A leak-proof defence may never be attainable, so there is no prospect that offensive weapons will ever be eliminated. But a partial defence may be feasible, and the smaller the number of offensive warheads, the more feasible it may be. If there is to be a race, it is one where high technology should give America a big edge; but the consequence of that race is that there would be no agreed limits on offensive arms.

The Russians are foolish to make difficulties about the agenda for space weapons talks, just because they fear that the Americans will use it as a lever to resuscitate the Start talks; everyone knows that defence and offence issues are indissolubly linked, both technically and politically. But the Americans are equally foolish to pretend that they can negotiate away the most threatening Soviet offensive weapons, while at the same time advertising their intention of breaking the offence-defence link.

This issue is bound to become a burning topic in the U.S. elections and beyond. A National

Appeals made for calm and reassurance

Campaign to Save the ABM Treaty has been launched with a blue-ribbon list of sponsors, including one former President (Carter), one former Defence Secretary (McNamara) and two former State Secretaries (Rusk and Vance). Anyone interested should also read the recent Brookings survey, Ballistic Missile Defence, which is more dispassionate but still on balance sceptical of the virtues of Star Wars. There is no chance that Mr Reagan will abandon his vastly expanded R&D programme, but it may not be too late to prevent the Star Wars race from getting out of hand. That is what Andrei Gromyko must want to find out.

A Report on the impact of U.S. and Soviet Ballistic Missile Defence Programmes on the ABM Treaty; National Campaign to Save the ABM Treaty 1346, Connecticut Avenue, Washington.

Ballistic Missile Defence; Carter and Schwartz, eds.; Brookings Institution, Washington.

Lombard

Coal mines for the miner

By Samuel Brittan

IF THERE is any industry which is crying out for decentralised workers' ownership it is coal-mining.

Economies of scale are moderate. This makes possible local small-scale management in which workers' participation is a reality rather than a paper rule. The very different traditions and habits of different areas, which we see for instance in the contrast between Nottinghamshire and Yorkshire in the present strike, are a further argument against centralised ownership.

Even on the headline issue of uneconomic pits, decentralised workers' ownership would have a contribution to make. At the very least a choice between closure, and staying open by forfeiting pay increases would be present, which is denied by existing arrangements. The prospects might be more hopeful for other reasons. "For example, a mine that is judged to be uneconomic under present practices might still be a viable proposition for a number of years if managed by a new private company or a co-operative of existing workers: by extending the life of the pit the new methods and new management would provide some breathing space for the community to adjust."

As the reference to private capital gives away, the quotation is from the recent Adam Smith Institute report on Energy Policy. But even those of us who would like to see a mixture of workers' ownership and free share distribution on the lines just endorsed by Dr David Owen, can learn a great deal from the Adam Smith ideas of how to move away from the present confrontation of dinosaurs.

For, unfortunately workers' ownership of the mines has a long history of rejection. Attlee's 1945 Labour Government was given a resounding "No" when it sounded out the NUM on direct miners' ownership, even by the NUM itself. More recently Conservative backroom thoughts on miners' ownership of the mines have been given an equally hostile reception.

From its own point of view the NUM is right. It is much easier to extract £1.3bn of taxpayers' cash if it can use a loss-making National Coal Board as a buffer. In any case the whole strength of militant union leadership is based on centralised confrontation.

Yet if this is so, the way to workers' ownership (or any other form of non-nationalisation) surely lies through decentralisation. The Adam Smith Institute has many detailed proposals but two suggestions are the key.

The first is that the NCB should cease to be the licensing authority for independent open cast coal producers who are now limited to an annual output of 25,000 tonnes; and the few remaining small independent deep mines should be derestricted in their scale of operations. The regulation of the industry should pass to a new National Coal Trust which would issue leases and receive royalties. As part of the same operation, import restrictions would be removed, which might actually benefit the industry by encouraging a two-way trade in place of the present autarchy.

Secondly, the NCB would be divided into at least 12, or perhaps many more, independent units which would eventually become autonomous corporations. In the Adam Smith version the more profitable units would be taken out of political control by the sale of equity, with shares going to the existing workers and to new investors. But the alternative option remains of handing over the shares gratis to individual miners.

The key political point is that many parts of the coal industry are profitable; and the workers in them would find equity ownership attractive, even though the NCB with its trail of high cost pits is running at a loss. The savings from running down the high cost pits could be devoted to relocation grants or investment in new businesses in the mining communities.

The combination of workers ownership of the more profitable pits, plus the encouragement of other work for those in the loss-making districts would reduce the nationalised sector to smaller proportions. It would of course be foolish to underestimate the active hostility the Scargillites would show to this or any other reform. But Scargillism will not be made to go away by retaining the status quo.

Letters to the Editor

Information technology

From Prof J. M. Ashworth, University of Salford

Sir,—In your second leader on September 5 you accused the "Little Neddy" (Information Technology Economic Development Committee) that I chair of "sensationalism" in its recent report and of failing to present the "conclusive evidence to back up its alarmist views."

Alas, by the time that all the evidence is available in such a form it will be too late. In any case our concern does not arise solely from an analysis of statistics but rather from the day-to-day experiences of British companies competing in an international market.

It is they who report prices being squeezed, product life-cycles being shortened and testify to the ferocity of the competition they face.

Second, you say that our definitions of the information technology industry is too narrow. We have taken a deliberately narrow definition of it because, as I said at my press conference, computers and telecommunications constitute the machine-tool industry of the new industrial revolution. It was largely the UK strengths in machine tools during the first industrial revolution which enabled our manufacturers to offer better products at better prices in advance of competitor nations.

If we had depended on buying those tools from the industries of other nations we would always have lagged behind. Yet this is the prospect that now faces us in respect of the information revolution. Incidentally, if the figures for semi-conductors (where import penetration is nearer 75 per cent) are added, the picture looks even worse—not better, as you suggest.

Third, you say that our recommendations are not novel. If they were, you would have real cause for complaint. We have, as a nation, known what needed to be done for many years. The shortage of skilled manpower in the information technology industry is, for example, just the latest in a long line of "skill shortages" which have plagued and crippled UK industry at every economic upturn since the war. If they had been solved our situation would be less desperate today.

Fourth, you argue that the most important thing is to open up the European market to European companies. We fully agree and say so in our report. However, this is a long and difficult task. If we do nothing until the EEC becomes a truly common market for information technology, we shall have very little to offer when it does. We are trying to find things that can be done now.

Finally, I would have written sooner had the issue of The Financial Times in which your article appeared been available in Manchester. Your comments on information technology would be better received if your own technology was such that those of us who attempt to read your newspaper could be certain of doing so.

(Prof) J. M. Ashworth.
Salford M5 4WT.

Franchised car dealers

From Mr Peter Crockford, Legal adviser, SMMT

Sir,—It is misleading for the chairman of the Consumers Association to imply (September 7) that the Monopolies and Mergers Commission report on car parts supports the Consumers Association contention that the system of selling cars through specialist franchised dealers is contrary to the public interest.

The report dealt solely with the question of whether or not manufacturers could require dealers to buy spare parts only from their approved sources. There was no attempt to investigate the much wider question of the general service provided by the franchised network.

Consumers do benefit from the system. They are assured that the garage is fully up to date with the requirements of the manufacturer's range and have the comprehensive service equipment necessary for vehicles which are becoming more and more sophisticated. It is a requirement on all franchised dealers that they hold stable stocks of parts required for service or repair work—even those slow-moving items which it would be uneconomic for an independent dealer to hold.

Manufacturers also invest a great deal of hard cash in support of their dealerships in the provision of service training and the maintenance of mobile service engineers to monitor standards.

Perhaps most importantly, all those franchise agreements which the Consumers Association seems to dislike so much insist that the dealer should subscribe to the Code of Practice for the Motor Industry so that, if a problem does arise, the consumer will be able to obtain redress easily and cheaply through the conciliation services run by the SMMT (new car complaints) or the MAA (garage complaints).

This service is fully monitored by the Office of Fair Trading and allows, where necessary, for low-cost independent arbitration.

I would hope that even the Consumers Association would accept that consumers are less likely to have problems with subscribers to the code than those independent garages who are not prepared to accept its obligations.

Peter Crockford,
Society of Motor Manufacturers and Traders, Forbes House, Halkin Street SW1X.

Economic threat to Israel

From Mr G. Schmerling

Sir, — Your leader on Israel (September 10) does not mention the huge subsidies received by the forces preparing for Israel's destruction from inflated oil revenues.

As long as the U.S., influenced by the "political adroitness" (your term) of the oil lobby, does not take the lead in the formation of OPIC to bargain, collectively, with OPEC for sensible oil prices, with a mark-up not exceeding 100 per cent (at present more like 500 per cent), the American economy subsidises the oil producers with about 10 times the amount granted to Israel.

To protect their lives the Israelis are forced to match the excessive armaments paid out of oil revenues, while at the same time being handicapped by the Arab economic boycott (in which this country co-operates).

G. Schmerling.
20 Bishops Close, Old Coulsdon, Surrey.

Biotechnology and public health

From Mr E. M. D. Scott, Public Health Laboratory Service.

Sir,—Mr David Fishlock's wide-ranging Survey of the British biotechnology industry (September 11) gave a clear indication of the current interaction between commercial, scientific, governmental and financial participants in this field.

The fact that the Public Health Laboratory Service Centre for Applied Microbiology and Research (CAMR) has for some years co-operated widely with commercial companies and government organisations in aiding the development of health care biotechnology has been well known within that specialised field and I am pleased to be able to confirm that CAMR is actively pursuing the commercial development of its specialised production capabilities.

However, I feel obliged to clarify a small error of fact in Mr Fishlock's otherwise excellent survey. No agreement exists which gives any organisation, commercial or otherwise, "exclusive access to the intellectual property of the Public Health Laboratory Service's genetic engineering research."

CAMR's interests are best served by being able to retain an independence of action in biotechnology development which may be applied to a wide range of known or conceivable needs: it would be most inappropriate for a part of the Public Health Laboratory Service to enter into any commercial agreement which left it with no control whatsoever over how it disseminated knowledge which could have profoundly beneficial effects to the health of man.

E. M. D. Scott,
PA Advisor/Publications Editor,
Public Health Laboratory Services,
61 Colindale Avenue NW9.

Investment in energy

From Dr L. Brookes

Sir,—The director of the Association for the Conservation of Energy (September 11) misses the point of my letter (August 30) challenging the view that investing in energy efficiency is a direct alternative to investing in new supply.

Responding to an increase in fuel price by trying to use fuel more efficiently is a sound reaction which mitigates the economic damage at both micro and macroeconomic levels. It is fallacious, however, to assert that this response is tantamount to a "fifth fuel" reducing the need to invest in new supply. On the contrary, if high fuel price is constraining economic activity, then this mitigation of the constraint is likely, on balance, to lead to a larger economy-wide demand for fuel than if there were no response.

This is not to argue against so responding: it is only to point out that these micro-economic measures need to be accompanied by the more direct response to an energy price/supply problem—namely investing in new supply.

It follows from the above that fuel suppliers serve their own long term interests by encouraging fuel use efficiency and—as I pointed out in my earlier letter — electricity suppliers gain from a likely increase in market share. The American utilities Mr Warren mentions are, no doubt, also motivated by the notorious funding problems under which they labour.

(Dr) L. G. Brookes,
14, Ipswich Road, Bournemouth.

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FINANCIAL TIMES

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Michael Morgan on Wall Street

Auguries, sages and greenmail

THE SPATE of takeovers seen in the U.S. this year has brought in its wake moves in Congress to tighten the rules under which such corporate acquisitions are made.

The legislators are particularly concerned about so called "greenmail" – where an investor takes up a holding, makes unwelcome noises about a takeover and then resells his stake to the company at a considerable premium.

Legislation currently under consideration could prevent companies from paying above market value for shares they buy back unless the shareholders agree.

It would also tighten the regulations under which a bidder has to register any interest of 5 per cent or more within 10 days with the Securities and Exchange Commission, the so-called 13-D Registration.

The new Bill proposes SEC registration within 24 hours and plans to prevent the bidder from purchasing more stock within 48 hours after *reaching the 5 per cent level.*

13-Ds can prove extremely valuable documents to the market watcher. They require information about total dollar investment, the average purchase price and the investor's intentions.

Most important of all, the documents demand to know the beneficial holder of the stock, which prevents investors retaining anonymity behind a nominee corporation.

Through such documents came the first hints of moves like that by Mr Saul Steinberg, the New York financier, on Walt Disney Productions during the summer. Other celebrated moves included the stake built up in Texaco by the Bass brothers, and the holdings consecutively acquired in St Regis Corporation, the paper, packaging and forest products group, by Sir James Goldsmith, Loews Corporation and Mr Rupert Murdoch, the Australian financier.

To keep abreast of such developments, about 40 13-D watchers daily troop into the public reference room of the SEC in Washington to work through the 150 or so registrations that are made each week. The system is paper-based and will remain so for the time being. Other filings are being computerised under a five-year pilot programme which begins next week.

"There has been a tendency in the U.S. equity market to follow the successful operators since the 1960s," said Mr Bob Farrell, chief market analyst at Merrill Lynch. "This is another useful way of being able to do so."

However, of the 12,000 or so publicly quoted U.S. companies, less than 3,000 – the most successful – are under close scrutiny by Wall Street.

That leaves a rich vein for another class of 13-D watcher which uses the documents as the starting point of its deliberations.

One such is Mr Kiril Sokoloff, who has been studying the filings for the last 10 years and has built a research and newsletter business out of his efforts in the last five.

"The majority of people focus on filings by the characters with a high profile. But where there is most publicity, there is the least investment possibility," he says.

"There are plenty of other people with a talent for making money who are buying companies that nobody has ever heard of. The obvious *question that prompts me to ask is:* Why?"

Mr Sokoloff claims to have built a list of 1,000 investors worth watching. They are looking for a company that is out of favour, cheap and most important of all, with undervalued or overlooked assets.

This information appeals to the patient, long-term investor who will look at a company in asset-orientated terms. He does not worry too much about what earnings will be in the next quarter.

An example is Conrock, the largest supplier of aggregate and ready mixed concrete in California. Mr Sokoloff claims to have noticed activity in the shares last autumn, when the price stood at $24 and the cement industry was in bad shape.

Within four months the company was taken over by California Portland, which already had a 28 per cent holding, in a share exchange. By this time Conrock's shares were trading at $45.

A 13-D filing by another investor had alerted Mr Sokoloff to look at Conrock. There he found assets in land – 7,000 acres owned and another 300 leased in Southern California – were well above the market's perception.

He sees two major dangers in his approach. The first is a lack of patience by the investor, who may see better known stocks performing well in an upward market.

The other is that a successful bidder for a company will subsequently run it for his own benefit, rather than for the benefit of all the shareholders.

"That," says Mr Sokoloff, "is a matter for your own judgment."

EEC may face grain export war with U.S.

BY ANDREW GOWERS IN LONDON

THE SURGE in the dollar should soon put the European Economic Community in a position to export grain to its major markets without subsidising the price.

In that event, senior European Commission officials confirmed in Brussels this week, the stage will be set for a new free-for-all in the international cereals market between Europe and the U.S.

The Commission is hoping to boost exports substantially as a result of a harvest which has broken all records, especially in France and the UK.

Yesterday the Commission announced that the 25,000 tonnes of wheat exports authorised this week would carry a maximum export subsidy, or restitution, of 2.98 European *Currency Units (Ecu), or $2.23* per tonne. This was the lowest restitution since the Community started its weekly grain tenders in 1978.

Export subsidies are paid to bridge the gap between the price of cereals in the Community and the world price, denominated in dollars.

It has long been EEC policy to bring its grain prices in line with the world level and so to cut the subsidies. Its sudden success is almost entirely explained by the continuing strength of the dollar against European currencies.

This is welcome news for farmers, who are looking to exports to relieve the pressure on a glutted Community market, and for the EEC budget, for which the disposal of mounting grain surpluses has been increasingly costly in recent years.

The expected disappearance of export subsidies, which could hap*pen by the end of this month if the* dollar continues to soar, is causing apprehension in the U.S., however.

This is because the EEC has signalled that it will not feel bound by its self-imposed limit of 14 per cent of world trade in wheat – equivalent to about 14m tonnes – if subsidies vanish. Officials fear that a fierce new export battle with the U.S. could develop as a result.

The U.S. will certainly be watching Community exports very closely in coming weeks, particularly to try to pinpoint any possible disguised subsidies.

The export market, however, looks buoyant at present, with the Soviet harvest even poorer than expected, according to U.S. estimates earlier this week. The U.S. Agriculture Department revised down its estimate of total Soviet grain production in 1984–85 to 175m tonnes, compared with 195m last year.

The EEC Commission has now authorised a total of 5.92m tonnes of grain exports this season, 64 per cent more than in the same period last year.

Major nations to co-operate on multinational bank supervision

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN ROME

BANKING authorities from many countries round the world have agreed to co-operate more actively to supervise operations of multinational banks.

At a meeting in Basle, which ended at the weekend, they publicly endorsed the Basle Concordat, setting out principles for international bank supervision, and pledged to ensure that their supervisory systems conform to it.

In addition they agreed:

- *To exchange information with* each other about their supervisory practices by filling in a questionnaire prepared by the Basle Committee, the body through which supervisors from the Group of Ten major industrial countries co-operate
- To pursue their efforts to strengthen capital standards "in the interests of sustaining confidence in individual banks and in the international banking system"
- To seek greater convergence in national definitions and measures of bank capital to make comparisons between the capital positions of banks in different countries clearer.

Most of the proposals accepted at the meeting were put forward by Mr Peter Cooke, the senior Bank of England official, who chairs the *Basle Committee and who has played* a leading role in raising international supervision standards.

Officials said they believed the time had come to put more "bite" into the impact of the Basle Concordat. It was not just a theoretical work or a pious expression of hope but a basis for action. They said it would be "phase three" of the Concordat, phase one having been its conception in 1975, and phase two its revision last year in the wake of the Banco Ambrosiano fiasco.

The public endorsement is supposed to underline the supervisors' determination to make the Concordat more effective. It also gives it the public support of considerably more than the ten countries who originally formulated it. Representatives from 87 nations, including the Soviet bloc, attended the gath*ering, the largest of its kind and the* first in three years.

Apart from ensuring that no bank escapes effective supervision, the supervisors' collaborative efforts are designed to ensure greater regulatory equality for banks operating in the international marketplace.

Drive for stronger system, Page 5

World Bank to make crucial decisions on future strategy

BY STEWART FLEMING IN WASHINGTON

THE WORLD BANK'S future capital requirements, the balance between its lending for individual projects and sectors and its relations with its sister institution, the International Monetary Fund, will be the focus of discussions this week leading up to the annual meeting of the two institutions.

In its annual report released today, the bank makes only a passing reference to the challenges it faces as it seeks to formulate a long-term strategy which can be the basis for the significant increase in its capital resources that bank officials believe the institution needs.

The report says that issues raised by the Special Action Programme, approved in February 1983 and designed to permit the bank to play a more direct part in the developing countries' debt crisis, will feature in wider discussions about the future role of the bank.

Officials at the bank have been talking about its future for some time, and it is clear that these talks have stirred considerable controversy among the 146 nations which are the bank's shareholders.

The Special Action Programme, for example, by accelerating the disbursement of loans and directing a larger proportion of the bank's spending away from financing specific projects and towards helping countries adjust to pressures created by the debt crisis, has raised some fundamental policy issues.

Officials warn that the more rapid pace at which loans are being paid out could ultimately lead to a cut in the bank's lending unless its capital is increased.

The U.S., which is generally seen to be highly critical of many of the bank's policies, has made it clear that it is uneasy about the extent of the shift away from project lending.

Some developing countries, on the other hand, are worried by signs that the bank is attaching stricter conditions to its loans. The officials will also be discussing a special report about the role of the bank in sub-Saharan Africa.

There is also disagreement among some shareholders about the sectors to which the bank has been providing finance. The U.S. is known to be uneasy about the bank lending on energy projects.

Orion seeks UK gilts broker stake

BY RAY MAUGHAN IN LONDON

ORION ROYAL BANK, the London merchant bank subsidiary of the Royal Bank of Canada, is negotiating to take a stake in Pember & Boyle, one of the principal gilt-edged stockbroking specialist firms in the City of London.

Mr Antony Cravero, the deputy chairman of Orion, said yesterday that talks between the two sides had been going on for many months and had reached the stage of "serious courtship."

He said that the bank and the broking firm had each been talking with various other potential partners in anticipation of the forthcoming changes in the Stock Ex*change rules, particularly the envi*saged structure for broking gilt-edged securities. The point had been reached where Pember & Boyle would now be Orion's "favoured partner."

There is no indication yet, however, that any alliance is to be formalised in the near future. Mr Cravero stressed the delicacy of the current negotiations and empha*sised the problems of taking* a stake in a partnership rather than acquiring a quoted company.

The attraction for Orion is Pember's specialism in gilt-edged securities – "the firm has been very good in that market for a hundred years," Mr Cravero acknowledged – and the envisaged changes through*out the British securities industry* are focused most sharply in this sector.

If, as seems likely, the Bank of England authorises the formation of a dozen, even a score or so, primary dealerships to trade in gilts, it is equally probable that Orion would apply to join their number.

*Most of the leading specialist par*ticipants in the gilt-edged market have already forged new alliances to take account of these prospective changes. Wedd Durlacher, one of the leading gilt jobbers (which wholesales stocks and shares to brokers) has linked with Barclays Bank and the broking firm of de Zoete & Bevan. Another, Akroyd & Smithers, has joined forces with S.G. Warburg, Rowe & Pitman and *Mullens & Co., while W. Greenwell,* a prominent gilts broker, has allied with Samuel Montagu.

EEC budget deal closer

Continued from Page 1

British agreement would also depend on payment of the UK rebate for 1984 of Ecu 1bn ($750m) "in the right way" and on the European Parliament lifting its embargo on payment of the 1983 rebate, although Mr Lawson saw no reason *why it should not, in view of the* progress which had been made.

"There are all sorts of rocks on which we could still founder," Mr Lawson said, "but I think we can now see a way through." Mr Dukes said it was now "more a question of timing than attitude" in solving the outstanding problems.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	22	72	Dubrovnik	C	21	70	Malaga	-	—	—	Salzburg	R	11	52
Akrotiri	S	27	81	Faro	S	27	81	Malta	F	29	84	Seoul	F	26	79
Algiers	S	27	81	Florence	F	20	68	Manila	-	—	—	Singapore	F	31	88
Amsterdam	C	17	63	Frankfurt	C	16	61	[illegible]	[illegible]	[illegible]	[illegible]	Stockholm	[illegible]	[illegible]	[illegible]
Athens	S	27	81	Funchal	C	24	75	[illegible]	[illegible]	[illegible]	[illegible]	Strasbourg	D	15	59
Bahrain	S	34	93	Geneva	C	18	64	[illegible]	[illegible]	[illegible]	[illegible]	Sydney	[illegible]	[illegible]	[illegible]
Bangkok	[illegible]	[illegible]	[illegible]	Gibraltar	C	23	73	Milan	F	19	66	Tangier	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]	Guernsey	C	15	59	Montreal	C	13	55	Tel Aviv	[illegible]	[illegible]	[illegible]
Beirut	C	27	81	Helsinki	F	14	57	Moscow	C	13	55	Tenerife	[illegible]	[illegible]	[illegible]
Belgrade	R	21	70	H. Kong	C	27	81	Munich	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
Berlin	S	18	64	Innsbruck	S	9	48	Nairobi	C	23	73	Toronto	[illegible]	[illegible]	[illegible]
Biarritz	S	18	64	Inverness	F	17	63	Naples	C	23	73	Tunis	[illegible]	[illegible]	[illegible]
Blackpool	F	17	63	I.o.Man	F	17	63	[illegible]	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Bordeaux	S	24	75	Istanbul	S	24	75	New York	S	22	72	Venice	[illegible]	[illegible]	[illegible]
Brussels	C	15	59	Jersey	C	15	59	Nice	[illegible]	[illegible]	[illegible]	Vienna	C	17	63
Budapest	C	18	64	Las Palmas	S	25	77	Nicosia	C	13	55	Warsaw	[illegible]	[illegible]	[illegible]
B. Aires	[illegible]	[illegible]	[illegible]	Lisbon	C	18	64	Oporto	C	17	63	Zurich	[illegible]	[illegible]	[illegible]
Cairo	S	32	90	Locarno	C	18	64	Oslo	[illegible]	[illegible]	[illegible]				
Cape Town	R	15	59	London	F	16	61	Paris	[illegible]	[illegible]	[illegible]				
Caracas	[illegible]	[illegible]	[illegible]	Los Angeles	[illegible]	[illegible]	[illegible]	Perth	[illegible]	[illegible]	[illegible]				
Casablanca	C	26	77	Luxembourg	F	16	61	Prague	[illegible]	[illegible]	[illegible]				
Copenhagen	F	18	61	Madrid	[illegible]	[illegible]	[illegible]	Reykjavik	[illegible]	[illegible]	[illegible]				
Corfu	S	24	75	Majorca	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]				
Dublin	F	16	61	Mexico	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]				

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Mondale to meet Gromyko later this month

By Reginald Dale in Washington

MR WALTER MONDALE, the U.S. Democratic presidential challenger, announced yesterday that he is to met Mr Andrei Gromyko, Soviet Foreign Minister, in New York on September 27, the day before Mr Gromyko goes to Washington for talks with President Ronald Reagan.

In a radio address Mr Mondale repeated his pledge to seek annual summit meeting with the Moscow leadership if elected in November.

*Leading Administration spokes*men repeated their insistence that Mr Reagan had not sought the meeting with Mr Gromyko to help him in his election campaign, and seemed unruffled that Mr Gromyko also planned to see Mr Mondale.

"That's fine," said Mr Richard Burt, Assistant Secretary of State for European Affairs – he hoped Mr Mondale would "soften up" Mr Gromyko for Mr Reagan.

A senior Soviet Government spokesman, Mr Stanislav Menshikov, meanwhile suggested that Mr Reagan would have to take a more compromising attitude towards Moscow if the talks were to be a success.

Mr Menshikov, an adviser to the Soviet Central Committee, said on U.S. television that Mr Reagan would have to show a more realistic world view and accept the shared responsibility of the two superpowers in averting nuclear war. Mr Menshikov, however, appeared to foreshadow no change in Soviet positions on arms control.

Mr Menshikov said Mr Reagan would also have to accept realistically that one side should not try to become stronger than the other, seek military superiority or try to change the other's system of society. The U.S. should refrain from political, economic and psychological crusades, he said.

Mr Menshikov also said that President Konstantin Chernenko, the Soviet leader, whose health had been in question in recent days, was "at his desk, working." He played down the possibility of a serious diplomatic incident over the five Alaskan fishermen detained by the Soviet Union at the end of last week and said he was sure that the problem would be solved quickly.

What Gromyko wants to know, Page 15

Hopes rise for end to British dock strike

Continued from Page 1

Mr John Connolly, the TGWU national docks secretary, confirmed last night that a return to the existing arrangements would not be a stumbling block to settlement. He stressed that the strike was not yet *over, however.*

The national coal strike entered a new phase at the weekend after the complete breakdown of the latest round of talks between the National Coal Board (NCB) and the National Union of Mineworkers (NUM). The stumbling block was again the closure of uneconomic pits.

The NUM is now embarking on a fight to the finish with the coal board over the issue. Mr Ian MacGregor, the NCB chairman, said he would not return to talks with the union while violence continued on the picket lines. He also rejected a third party – such as the Government's independent Advisory, Conciliation and Arbitration Service (Acas) – to bring the two sides together again.

Mr Arthur Scargill, the NUM president, said after a special meeting of the union's national executive yesterday that he was prepared to put his case to an independent arbitrator, and that new moves could be afoot within the next few days.

The Trades Union Congress (TUC) is pushing hard for Acas to take over the talks.

Peace hopes rise in GM pay dispute

Continued from Page 1

guarantees over the three-year period of the contract, while asking for conventional annual pay increases, rather than the lump sum payments offered by the company. In its initial proposals, GM offered $600 per worker in the first year of the agreement, $300 in the second, and nothing in the third, but this has since been changed to give some element of annual increases which would be consolidated into the basic pay rate.

Estimates of the overall increase in wage rates vary from 4 to 6 per cent.

THE LEX COLUMN

Testing targets for Treasuries

If money were to be made by selling non-standard U.S. Treasury bonds at premium prices to European investors, there would be a lot to be said for the U.S. Treasury doing the job itself. The reduced yields would immediately cut the cost of funding the deficit – by however small an amount – rather than increasing the profits of inventive Wall Street bankers.

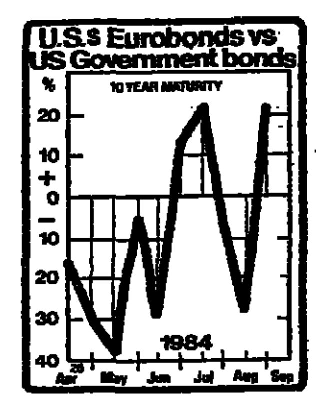
Paradoxically, the Treasury's first tilt at selling customised dollar bonds in Europe only goes half way towards meeting this objective, because of the decision not to squeeze every last point of yield that the Euromarkets might have offered.

The sale of actual Treasury bonds for retail distribution to target investors has certainly cut out the Wall Street middlemen, just as they were ready to build up a trade in synthetic Treasuries, coupon-stripped and ready for anonymous Swiss bearers to salt away. Yet the next four-year note auction has been set up to ensure that the bonds sold into Europe start life on the same yield basis as the normal American tranche. *This is* despite the lower yields obtainable in the Euromarket – where good U.S. corporate borrowers have been routinely able to fund more cheaply than has their Government in its own back yard.

An ersatz form of anonymity, provided by putting a filter of banking secrecy between beneficial owners and the Internal Revenue Service, may enable these bonds to trade at a premium to normally registered stock – though presumably at a smaller premium than if they had been full-blooded bearer securities

The existence of a safety net – conversion into the domestic Amer*ican variety, with semi-annual rath*er than annual coupons – should at any rate stop such issues from falling to a persistent discount, as might happen if it became harder to deal with these bonds in their less liquid European form. Targeted offshore bonds should generally trade no further below the onshore market than a margin for the cost of conversion – the step needed to bring any arbitrage openings within range.

Even if a few basis points of yield may have been conceded by the Treasury in setting its face against issuing bearer bonds, the cost may be less than it appears. After all, the point of such paper is tax eva*sion, however flatteringly* described. If a whole bearer issue were to find its way into evasive U.S. hands, the loss in tax revenue would clearly swamp the initial saving on coupon payments.



On the implausible assumption that all the subcribers for U.S. bearer debt would be entitled to hold it, the game might still not be worth the candle; bearer bonds and fraud have been noticed in each other's company before now. *Monetary* authorities everywhere must be relieved that the U.S. has not led them into a spiral of competitive connivance.

Executive options

Tax accountants and company solicitors have recently enjoyed a busy time devising executive share option schemes to take advantage of fresh rules introduced in the budget. Many companies had already set up their own "unapproved" schemes before March, however.

The Inland Revenue's brief to grant tax exemptions will apply only to new schemes complying with set conditions. It seems a fair bet that many boardrooms are already wondering how best to effect the substitution of a new scheme for an old one. It could pose a dilemma.

Under the 1984 Finance Act, profits made via a scheme approved by the Revenue will be subject not to income tax as and when the options are exercised – as was previously the case – but to capital gains tax on the eventual sale of the underlying shares. *This treatment of execu*tive schemes will bring them more into line with the Savings Related Share Option Schemes introduced in the 1980 Finance Act, which must be made available to all employees or none and are similarly subject only to a capital gains tax liability.

Some companies, like P&O, have *so few options outstanding under* an old scheme that launching a new one has not involved any troublesome overlap. P&O's shareholders have already approved its new scheme, which only awaits a nod from the Revenue to take to the water.

Other companies will have options outstanding to the maximum, or very near it, which is consistent with the guidelines laid down by the various investor protection committees and most notably by the National Association of Pension Fund Managers. These have always advised that schemes should not involve more than a 10 per cent dilution of outside shareholders' interests; should not provide shares worth more, at the option's subscription price, than four times the executive's annual salary, within any ten year period. The new Finance Act has broadly followed this approach.

Few companies in this second category will contemplate openly flouting these guidelines by ignoring the existence of an unapproved scheme – or allowing it to be cashed in prematurely – and simply issuing additional options. The Revenue would not necessarily object, since it will not be aggregating new and old schemes; but shareholders, and especially the institutions, would have very proper objections.

The alternative course for companies in this position will involve their seeking a compromise with shareholders which might respect the guidelines while allowing executives to jettison old options in favour of the better deal now on offer.

This may not be such an easy compromise to find. If old options were surrendered for a penny, the new ones would have to carry a fresh subscription price in line with the current market, under the terms of the Finance Act. This might require executives to surrender an unrealised capital gain, where the shares of their company had appreciated against the original options' subscription price. Issuing a larger number of options by way of compensation, on the other hand, could easily run foul of either or both of the NAPF guidelines and the Finance Act.

Perhaps the way out might be for new schemes to exist in parallel with the old: executives would then make up their own minds which set of options to abandon and which to exercise in future, weighing the share performance up against the tax implications. This or any other arrangement, though, will have to depend on the indulgence of shareholders who *might yet prove less* than sympathetic to the whole idea of aligning past incentives with the latest tax break.

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CREDITS BY PETER MONTAGNON

New Zealand $1.5bn facility offers wide choice of funds

AFTER WEEKS of hesitation New Zealand finally took the plunge last week and awarded the mandate for a $1.5bn seven-year loan facility to a group of three banks comprising *Citicorp, Bank of Tokyo and Lloyds* Bank International.

The facility, part of which is designed to replace existing borrowings totalling $1.25bn, is modelled on other recent deals for countries such as Sweden which have married the Eurocredit market with the *increasingly popular market for* short-term tradable paper or Euronotes.

As with the recent $4bn Swedish facility, New Zealand will have several alternative sources of funds under the new deal. It can either *sell short-term Euronotes through* competitive bidding by a tender panel of banks and investment houses which will then sell them in the market or it can seek short-term advances from members of the bank syndicate itself.

These advances will also be allocated on a competitive basis.

Finally there is a backstop revolving bank credit which becomes progressively *more expensive for New* Zealand as more money is drawn.

New Zealand will pay a facility fee for the borrowing of 10 basis points annually, regardless of how much is drawn on the backstop. On top of that it would pay a margin over London Eurodollar rates of 15 basis points for any drawing on the backstop. But if it draws more than one third of the backstop, it will pay *a utilisation fee of 15 points as well.* This fee rises to 25 points if more than two thirds is drawn.

If the full amount of the backstop was ever drawn, New Zealand would thus be paying the banks interest equivalent to Libor plus a margin of ½ per cent, but it is more likely to be able to raise money by selling the short-term notes and advances, in which case its cost will be much lower.

Then it would still be paying the 10-point facility fee, but the additional cost would only be related to the price fetched by the short-term paper in the market. Spain demonstrated that sovereign borrowers can sell such paper on very fine terms last week when it sold the first $125m tranche of its recent *$500m Euronote facility* in the market. Merrill Lynch, which placed $87.5m of the paper, said on Friday that its portion fetched a yield of only two basis points above Libor.

A further tranche of $125m is due to be sold on September 28, and as a more liquid secondary market develops in the paper some bankers believe the yield fetched by the Euronotes could even drop below Libor. *Even so, Spain's experience* shows yet again the degree of demand from banks, corporate treasurers and other institutions for short-term tradable paper.

For the banks in the backstop facility the problem, however, lies in *deciding whether they are being ad*equately compensated for taking the risk that New Zealand will always be able to sell its paper in the marketplace. From this perspective the facility fee of 10 basis points becomes important. This is slightly less than that paid recently by both Spain and Sweden.

New Zealand has, moreover, added a new wrinkle to the fee con*ditions in the form of a provision* allowing it to announce that it will not make use of up to $750m of the facility. In that case the facility fee is cut to only five basis points on the portion which becomes unavailable for use. Separately it is to pay a ¼ per cent management fee for the transaction.

Elsewhere, Chase Manhattan, National Westminster and Bank of Tokyo were due to submit new terms over the weekend on the $300m credit they are proposing for India's National Aluminium Company (Nalco). The terms include a margin over Libor of only ½ per cent on the conventional portion of the deal or ¼ per cent on the special "tax-spared" portion which offers tax advantages to UK lenders.

● The net foreign debt of Western European countries doubled to $227bn between 1980 and the end of last year, *according to a new study* by American Express Bank.

A number of European countries now have very high debt to gross domestic product ratios. These include Iceland, Ireland and Denmark, whose net ratio exceeds 40 per cent.

But Amex adds that the rate of debt accumulation in Europe is now slowing down, and some heavy borrowers such as France have a surprisingly low net debt when gross borrowings are offset by gold and foreign exchange reserves.

Amex says France's net debt is only $9.5bn. Britain's net debt is much higher at $48.9bn, but this takes no account of private sector foreign investments which make the UK a net international creditor to the tune of $81bn.

INTERNATIONAL BONDS BY MAGGIE URRY

U.S. bond rally keeps Europe afloat

THE NEW YORK bond market came to the rescue of the Eurodollar bond market last week. An avalanche of new paper early in the week – $750m from U.S. corporate names, plus more from elsewhere – could have pushed the Eurodollar market off the tracks. But Thursday's strong rally in New York helped issue managers to bid up their issues, and the process continued on Friday until some profit-taking set in across the Atlantic.

The new issues had two things in common. They were good household names, like Walt Disney, McDonald's and Coca-Cola, which the retail investors should like, and they were tightly priced. It seemed each issue manager was afraid of being left out of the business, and each was trying to go better than the one before.

It could have ended in tears but for the New York rally. By the end of the week all the deals were picking up. Opinions are divided about the amount of paper still on the shelf. Estimates range up to $500m worth, though some believe there is much less hanging around.

Similarly views differ over the interest shown by retail investors. The level of the dollar is a strong deterrent to European investors, though some dealers detect buying interest even so.

What is agreed is that there will be more issues coming this week, with Chevron at the top of the list of borrowers. The value of that deal has become bigger and bigger in the minds of traders, and no one fancies bringing a deal before Chevron's price and size is known.

Another dampener is the change in yield relationships caused by the rally in U.S. Treasury securities. Before profit-taking set in on Friday, the U.S. long bond was showing a gain of three points on the week, Eurodollar bonds were perhaps ½ point higher, lagging well behind. So a borrower with a less-than-perfect rating looking to fund cheaper in the Eurobond market than at home would be disappointed.

In the floating rate sector, S. G. Warburg launched the last tranche of a $300m note issue for New Zealand Steel Development. The issue, which first appeared in December 1982, is an example of how the bond and loan markets are moving together.

The issue was planned to pay for an expansion of the steel works, with the money effectively "drawn down" in three tranches – an initial $175m, plus a two-year tap taken in two parts of $50m and last week's $75m. Yielding ¼ per cent over the mean of six-month London inter-bank bid and offered rates, the money was raised more cheaply than it could have been through a credit.

Salomon Brothers' formula for a Yankee floating rate note might also come in for copying. The $250m issue for the French Crédit National has three-yearly margin refixings. The margin can only be raised from the current certificate of deposit (CD) rate plus 40 basis points to prime rate less 50 basis points, and the investor can exercise a put option if the increase does not suit. The issue, sold entirely in the U.S., is all in registered form.

The new issue splurge among U.S. dollar Eurobonds made the Canadian $191.6m raised last week look almost meagre.

The sector is not showing the signs of indigestion that might have been expected after four busy weeks, though, and recent issues are trading comfortably inside total fees, with the older Denmark and Gaz Métropolitain issues the only laggards.

The startling heights of the dollar may be the explanation for the excellent week the Deutschemark sector has had as investors turn back to that currency.

BHF Bank bond average		
Sept 14		Previous
100.491		100.361
High	1984	Low
100.491		98.056

Prices rose by up to one point last week, continuing the recent firm trend, with heavy demand seen. The new issue calendar totalling DM 1.53bn caused no worries, and the first public issue, for Manitoba, was readily accepted, closing the week just above par.

The Swiss franc foreign bond market is not doing as well, though prices rose by ¼ to ½ point.

● Samuel Montagu has hired Mr Alan Reid, formerly head trader at Smith Barney, to head its Eurobond trading side.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Wacoal §‡	50	1999	15	4	100	Yamaichi Intl., Deutsche Bank, Mitsubishi Fin. Intl.	4.000
Prov. of Manitoba ‡	100	1994	10	12½	99½	Wood Gundy	12.59
McDonald's (e)‡	75	1996	12	12¼	100	Salomon Bros., Merrill Lynch, Mgn. Guaranty, Paine Webber Int.	12.250
Ford Motor ‡	100	1991	7	12⅞	99⅝	Goldman Sachs, Deutsche Bank, SBCI, UBS (Secs.), Commerzbank	12.960
Merrill Lynch ‡	100	1989	5	12¾	100	Merrill Lynch	12.750
Coca Cola ‡	100	1991	7	11¾	99¾	UBS (Secs.)	11.804
FRAB-Bank †(d)‡	40	1994	10	¼	100	Nat. Bank of Kuwait	–
Eurofima ‡	75	1989	5	12½	100	Merrill Lynch	12.500
American Express ‡	150	1988	4	12⅝	100	Lehman Bros.	12.625
Walt Disney ‡	150	1987	3	12½	100	Morgan Stanley Int.	12.500
New Zeal. Steel Dev. †(d)‡	75	1992	8	¼	¶	S.G. Warburg	–
Credit National †(f)‡	250	1996	12	‡‡	–	Salomon Bros.	–
CANADIAN DOLLARS							
Chrysler Credit ‡	50	1991	7	14	100	EBC, Bq. Paribas, Orion, Soc. Gen., SBCI, S.G. Warburg	14.000
Metro Toronto ‡	50	1994	10	13	100	Wood Gundy, Dominion Secs., Salomon Bros.	13.000
City of Santa Fey ‡	10	1989	5	13⅛	100	Banque Int. Lux.	13.125
City of Vienna ‡	61.6	1994	10	13¼	100	Mgn. Stanley, Orion, Yamaichi Int., Zentralsparkasse	13.250
D-MARKS							
EIB ‡	300	1994	10	7⅞	99½	Deutsche Bank	7.949
OKB** ‡	100	1989	5	7⅝	100	Dresdner Bank	7.625
Prov. of Manitoba ‡	200	1994	10	7⅝	99½	West LB	7.699
SWISS FRANCS							
Nisshin Spinning** §‡	50	1989	–	2	100	CS	2.000
Pan American §‡	100	1994	–	6½	100	Sodltic	6.500
Gun-ei Chemical** ∅	60	1989	–	(4¼)	*	SBC	*
Santos Ltd.	130	1994	–	*	*	Handelsbank	*
Toyo Menka Kaisha**§‡	50	1989	–	3	100	Swiss Volksbank	3.000
Asian Dev. Bank	100	1996	–	(6¼)	*	UBS	*
Sankyo Aluminium** ∅	50	1989	–	(4¼)	*	Banca della Svizzera Italiana	*
ECSC**‡	20	1987	–	5¼	100	Sodltic	5.250
Kasumi Store Co.** ∅‡	50	1989	–	4⅛	100	Handelsbank	4.125
Korea Dev. Bank**	100	1989	–	(6¾)	(99¾)	CS, SBC and UBS	*
Nissho Iwai Co.**§	100	1989	–	*	*	SBC	*
STERLING							
Mortgage Bk of Den. †(c)‡	75	1999	15	⅛	100	County Bank	–
GUILDERS							
Finland ‡	150	1994	8	9	100	ABN	9.000
African Dev. Bk ‡	100	1994	8	9¼	100	ABN, AmRo	9.250
ECUs							
Dept. Posts & Tel. of S.A. (e)	40	1999	15	11⅝	*	CCF, Bque. Int. Lux., Kredietbank Intl.	*
LUX. FRANCS							
Euratom ‡	600	1996	12	10¼	100	Bque. Int. Lux.	10.250
YEN							
World Bank ‡	40bn	1996	10.32	7.4	99.10	Yamaichi Secs.	7.656
IADB	15bn	1994	10	(7½)	*	Daiwa Europe	*

* Not yet priced. ‡ Final terms. ** Placement. § Convertible. † Floating rate note: coupon is spread (a) over 3-month Limean. (b) over 6-month Libor. (c) over 3-month Libor. (d) over 6-month Limean. (e) Coupon reset after three years. ∅ With warrants. ‡‡ Yield between CD +40 and prime –50; reset weekly. Margin reset after three year. ¶ Tap. (f) Registered with U.S. S.E.C. Note: Yields are calculated on AIBD basis.

This announcement appears as a matter of record only. SEPTEMBER 1984

U.S. $100,000,000

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County Bank Limited — Credit Suisse (Bahamas) Limited — Creditanstalt-Bankverein
Gulf International Bank B.S.C. — Manufacturers Hanover Limited
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Swiss Bank Corporation International Limited — Toronto Dominion International Limited
Westpac Banking Corporation

Tender Panel Members

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Toronto Dominion International Limited — Westpac Banking Corporation

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August 22, 1984 — *All of these securities have been sold. This announcement appears as a matter of record only.*

U.S. BONDS

Shift in Fed policy prompts swift change in mood

THE Federal Reserve Board has signalled a slight shift in montary policy aimed apparently, at least temporarily, at halting the upward trend of U.S. short-term interest rates. The Fed, through its open-market operations over the past two weeks, appearing to have been far more accommodating than seasonal pressures alone would justify.

Accordingly most senior Wall Street economists now believe that some "fine-tuning adjustment" has almost certainly taken place. The move represents something less than a wholehearted shift away from the hitheto "even-keel" policy but it nvertheless is the first modification in Fed policy since the spring.

The shift in market mood, has been both swift and dramatic. The clinching factor has been the aggressive Fed addition of reserves through both system and customer repurchase agreements during the latest bank reserve period. The latest banking statistics show discount window borrowings, which, excluding special factors like Continental Illinois's problems, have remained static at around $1bn since March, tumbled in the latest statement period to $754m.

As Dr Henry Kaufman of Salomon Brothers notes, "This infusion of reserves suggests that at the very least, the authorities want to dispel any fear of near term firming in money rates."

Indeed the Fed funds rate, trading almost up to the 12 per cent level just a few weeks ago, has settled back to an 11.25 to 11.5 per cent trading range and other short-term rates have followed suit. Treasury bill rates fell by between 23 and 50 basis points last week with the three month T-bill rate closing at 10.38 per cent.

The justification for a slightly more accommodating Fed policy is not hard to find—particularly in the run-up to a presidential election. The monetary measures have been behaving well in recent months. M1, which fell by a further $2.1bn in the latest week, has remained basically unchanged since June, while growth in the broader aggregates, especially M2, also slowed last month.

The Fed is probably also sensitive to the dollar's recent remarkable strength and the payments problems it, and high U.S. interest rates, pose for LDC nations several of whom are, once again, embroiled in another set of tough-talk negotiations.

Meanwhile, with inflation still behaving itself and therefore not much of an issue, the U.S. economy continues to show signs of slowing to a more substainable pace — real GNP growth this quarter could well moderate to around a 4.5 per cent annual rate

U.S. INTEREST RATES

	Week to Sept 14	Week to Sept 7
Fed funds wkly av.	11.52	11.68
3-mnth CDs	11.30	11.55
3-mnth T-bills	10.39	10.56
30-year long bonds	12.17	12.44
AAA utility	13.25	13.63
AA industrial	13.00	13.50

Source: Salomon Bros (estimates). Money supply: In the week to Sept 3 M1 fell by $2.1bn to $544.99bn. In August M2 increased by $8.5bn to $2,289.1bn and M3 increased by $11.1bn to $2,867.6bn.

Nevertheless the credit markets look set for a further period of choppy and volatile trading as new figures come in on monetary growth, credit demand and the economy, all of which are likely to pick up this autumn.

Next week's M1 number, expected to show a big rise, will be watched closely as will the next batch of economic statistics including August housing starts on Wednesday, the "flash" third quarter GNP figure on Thursday and the August consumer price index figure due Friday.

The market will also be given a sharp reminder of the size of the continuing Federal budget deficit. On Tuesday, the Treasury will announce details *of the quarterly mini refunding* —provided Congress agrees to a debt increase before hitting the election trail.

This refunding will be of particular interest because of the Treasury's recently announced plans to offer callable 20-year bonds and the first of its "targeted" issues for foreign investors. While the expected $6bn four-year issue may be postponed until mid-October it will probably include $500m to $2bn of additional foreign "targeted" notes. This could increase the overall size of the refunding to $18bn, according to Philip Braverman of Briggs Schaedle, including an expected $5.75bn of seven-year notes and $4.25bn of the new 20-year bonds which will be callable after five years.

Against this backdrop Government bond prices rose by *between ¼ and 2¼ points.* The yield curve is now sharply humped from 12.13 per cent at two-years to 12.44 per cent at seven years, 12.29 per cent at 20-years and the 12.20 per cent yield at 30-years. The 30-year bond closed at 102⅞, more than 1¾ points higher on the week.

Last week also saw a sharp rally in the corporate markets and a renewed surge of new issues. Seasoned corporate bond prices rose by between 1½ points and 2¾ points on medium- and long-term issues respectively while new issue rates were 25 to 50 basis points lower. New issue volume increased to $1.3bn, despite a continued apparent reluctance of corporate treasurers to sell new fixed-rate long-term domestic *issues — perhaps reflecting the* current attractions of the Euromarkets. A further $250m of domestic issues are slated for this week and $34.2bn is sitting on the Rule 415 shelf.

Domestic new issues last week included a $100m offering of 12.5 per cent seven-year notes from Wells Fargo, the west coast banking group, which sold at 99¾ to yield 12.90 per cent. U.S. Air sold $100m of 8¾ per cent convertible debentures while Associates Corporation of North America sold $100m of 12.4 per cent redeemable 11-year notes at par.

Paul Taylor

Dome seeks more time for share issue

BY BERNARD SIMON IN TORONTO

DOME PETROLEUM, the debt-burdened Canadian energy producer, will be unable to meet the October 5 deadline set by its lenders for completion of a C$350m international share issue.

The company said it will ask its creditors for more time to raise new equity, and will also seek an extension to an alternative rescue package negotiated two years ago with the Canadian Government and four major Canadian banks.

The share issue is a condition of agreements reached with 54 lenders earlier this *summer* to reschedule Dome's C$5.2bn debt. If the company is unable to raise new equity it will have little choice but to trigger the bale-out package.

Dome's inability to meet the October 5 deadline is not unexpected in view of the uncertain state of world stock markets and the unreceptive climate among many investors to the proposed issue. On the other hand Mr Wilf Gobert, one of Canada's most respected oil industry analysts, last week recommended purchase of Dome's shares. Noting that several other companies are drilling for oil and gas on Dome properties, he said that "Dome is near the dawn of recovery."

Dome and two other companies announced separately that they will ask for Government approval to build a 15,000 barrels per day heavy oil facility in north-east Alberta at a cost of C$300m. The plant is the sixth oil sands project since the Canadian authorities agreed to a new tax and other financial incentives a year ago.

Boskalis losses increase

BOSKALIS WESTMINSTER, the Dutch construction and dredging group, reported a Fl 69m ($20m) net loss for the first half of 1984, prompting a request for the resignation of a senior executive, and a corporate analysis by an outside consulting firm.

Boskalis posted a Fl47.4m loss for all of 1983 after reporting a Fl12.9m profit in the first half. The company, which derives 80 per cent of its revenue outside the Netherlands, has been plagued by the inability of customers in developing countries to pay their bills.

Turnover fell 17 per cent to Fl640m in the first six months of 1984 from Fl775m in the corresponding period of 1983. The order portfolio edged up to Fl1.26bn at June 30 from Fl1.21bn on December 31, 1983.

Boskalis said that "in view of the particular difficulties in our international pipeline division," the resignation of the managing board member responsible for the division had been required.

The division would be reorganised, involving a substantial reduction in size. Lay-offs would be "inevitable," the company added.

AP-DJ

Chemical venture shuts new plant

By John Davies in Frankfurt

SCHELDE CHEMIE Brunsbuettel, the Swiss-West German chemical group, is to cease operating a major newly-built plant for the production of materials used in making dyestuffs.

The anthraquinone plant is part of a large chemical complex built at Brunsbuettel, north-west of Hamburg, by the company, which is jointly owned by Ciba-Geigy of Switzerland and Bayer of West Germany.

Schelde Chemie has invested more than DM 1bn ($330m) in chemical plant at Brunsbuettel since being formed in 1973, including about DM 260m in the new anthraquinone plant.

It has been forced to have second thoughts about the anthraquinone plant partly because of technical problems but also because of changed market prospects in view of the development of other ways to produce textile dyestuffs.

Bayer indicated earlier this year that it had absorbed DM 90m as its half-share of Schelde Chemie's losses in 1983 and it expected further losses this year.

● Du Pont, the largest U.S. chemicals concern, has taken its biggest step into the future with the official opening of a new life sciences research centre in Wilmington, Delaware, *Stephanie Yanchinski* reports.

The $85m complex will house 700 extra staff adding 2,500 sq ft of laboratory space to existing facilities.

St. Regis drops bid for Colonial Penn

BY OUR FINANCIAL STAFF

ST. REGIS, the U.S. forest products group which last month fought off a takeover bid from Mr Ruper Murdoch, the Australian publisher, has dropped its $590m bid for Colonial Penn, the Philadelphia-based insurance group.

St Regis is to reacquire for cash preferred stock which it used to pay for a 9.9 per cent stake in Colonial Penn. The bid proposal, first announced in June, was seen as a defensive move by St Regis, which had become the subject of intense takeover speculation because of its timberland assets. Among potential acquirors had been Sir James Goldsmith, the UK financier, and Loews, the diversified U.S. group.

However, in late July St Regis agreed to be taken over by Champion International, another forest products group, prompting Mr Murdoch to drop his $2bn bid.

● Southland Financial, of Irving, Texas, has received a proposal to be acquired by certain members of the Carpenter family in a deal valuing the property and asset management concern at about $700m.

The group, including Mr Ben Carpenter, chairman and chief executive, and Mr John Carpenter, president, own about 30 per cent of Southland's shares. It is offering $32 cash and $20 nominal of new subordinated debentures for the rest of the shares.

● Management of Consumers Power, the major Michigan utility, are to recommend at the company's October 3 board meeting that payment of dividends on common shares should be suspended.

The company abandoned its major Midland nuclear project in July after failing to agree on a rate structure with its principal clients. It last paid a 10 cent quarterly dividend in August, against 35 cents in the previous quarter and 63 cents in the first quarter of 1984.

● Nestle, the Swiss foods group, said it would use $500m of its own resources for its $3bn bid for Carnation of the U.S. A $3.5bn credit for the rest was a "temporary arrangement which will be successively replaced by financing at the cheapest possible rates taking into account market conditions."

Small rise at Banco di Roma

BANCO DI ROMA, the Italian state-controlled institution which is one of the country's five biggest banks, made only slightly increased net profits in the first half of this year, as a result of the narrowing gap between lending and deposit interest rates, writes James Buxton in Rome.

Net profits were L17.2bn ($9.4m) for the first half of 1984, compared with L16.1bn in the first half of 1983.

The loan portfolio at the end of June was L25,888bn, with L25,717bn at the end of December, 1983, but 39 per cent higher than the total at June 1983.

INTERNATIONAL APPOINTMENTS

New chairman at Fluor

● FLUOR CORPORATION has named Mr David S. Tappan, Jr, chairman and chief executive and created a new office of the chairman consisting of three members. Mr Tappan, formerly president and chief operating officer, succeeds Mr J. Robert Fluor, who died on September 9. Mr Tappan is joined in the office of chairman by Mr Buck Mickel, newly appointed president and chief operating officer and vice chairman Mr Charles Cannon. Mr Mickel had been a vice chairman.

● MARION LABORATORIES, Inc has promoted Mr James E. McGraw to senior executive vice-president and chief operating officer and Mr Michael E. Herman to executive vice-president and chief financial officer. Mr McGraw and Mr Herman will continue to serve as members of Marion's board. Mr John A. Biles, professor of pharmacy and dean of the school of pharmacy at the University of Southern California, has been elected to Marion's board.

● ZENITH ELECTRONICS (IRELAND), Kells-based subsidiary of Zenith Electronics Corp, has appointed Mr James J. Spelman as managing director. Before joining Zenith, Mr Spelman was vice-president, manufacturing operations, for Reliability Inc of Texas. Earlier he was managing director at Reliability's Irish subsidiary.

● Mr Peter Robertson has been appointed president of newly-formed JARDINE INSURANCE BROKERS (TEXAS) INC. of Houston, Texas. Mr Richard Waters has been appointed executive vice-president of the company. Both are former senior vice-presidents of Alexander & Alexander Inc.

● Mr John Tugwell has been appointed president and regional general manager of NATIONAL WESTMINSTER BANK'S executive office North America based in New York. He succeeds Mr Norman Jarritt who is retiring. Mr Tugwell also takes over as vice-chairman of National Westminster Bank of Canada. Prior to his new appointment Mr Tugwell was deputy to Mr Jarritt.

● International Thomson Organisation Inc has appointed Mr Joseph R. Palazzolo as president and chief executive of WARREN, GORHAM & LAMONT INC. Mr Palazzolo joined Warren, Gorham & Lamont in January 1981 as acquisitions editor, and was named vice-president — chief financial officer in 1982. Most recently he was executive vice-president of the firm.

● Mr T. M. Clark has been appointed an executive director, LLOYDS INTERNATIONAL, the merchant bank of Lloyds Bank International (LBI) in Australia. Based in Sydney from October, he will also be co-ordinator for LBI's leasing operations in the Far East. Mr Clark is currently senior manager, industry services, merchant banking division, at LBI's head office in London, and chief executive of Lloyds International Leasing.

● GOODYEAR TIRE AND RUBBER CO. has named Mr I. B. Thomsen to the new position of vice-chairman. Mr Thomsen was formerly president of Goodyear's international corporation unit.

● CIL INC, 73.2 per cent-owned by Imperial Chemical Industries, has appointed Mr H. Hantho its chairman from October. Mr Hantho, president and chief executive, retains the title of chief executive while the position of president will remain vacant. The chairman's post was previously vacant.

● HAMBURG MESSE UND CONGRESS GMBH (HMC) is to appoint Mr Franz Zeilhammer joint managing director on January 1. He is deputy managing director of NOWEA which is responsible for foreign fairs. He is also managing director of Bundesgartenschau GmbH Dusseldorf 1987, the organisers of the 1977 West German International Garden Festival. The final decision on the assignment of responsibilities between the joint managing directors, Mr Paul Busse and Mr Zeilhammer, will not be taken until the new organisational form of the company has been determined.

● THE CHASE MANHATTAN BANK N.A. has appointed Mr Rolf Reinhold country manager, Germany, and managing director of Chase Bank A.G. He was previously manager of corporate banking and will be succeeded in this position by Mr Michael Eisenblatter.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11¾ 94	100	96⅛	97⅛	+0⅛	+0⅛	12.64
All Nip. Airways 14 94	100	109⅝	110	+0⅛	+0⅛	12.22
American Savings 12 89	125	96⅛	96⅝	+0⅛	+1⅛	13.05
American Sav. 12¾ 89...	100	97⅛	97⅝	+0½	+1⅛	12.99
Austrian Rep. 13⅝ 92...	100	102⅞	103⅛	+0⅛	0	12.94
Bank of Tokyo 13⅝ 91	100	101⅛	101⅞	+0⅛	+0⅛	13.22
CNCA 13¾ 91	100	100⅛	100⅝	+0⅛	+0⅛	13.12
Caisse Nat. Tel. 13¾ 91	100	103⅛	103⅛	+0½	+0½	12.91
Coastfed Int. 12⅞ 88 ...	125	96⅞	96⅝	+0⅛	+1⅛	12.77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kingdom 5¼ 94	125	*†107	101¼	0	0	5.59
Tauernkraftwerke 5½ 94	100	*†100¼	101	0	+0¼	5.38
Tobu Railway 4 92 WW	100	*96¼	98½	0	0	4.57
Tobu Railway 4 92 XW	100	*†96½	96¼	−0½	−0¼	6.25
Transcanada Pipe 5½ 92	100	*†98¼	99	0	+0¼	5.68
World Bank 6½ 94	200	*†102¼	102½	0	+0½	5.80

Average price changes... On day +0¼ on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 7¾ 94	15	99	99½	0	0	7.48
Eurofima 7¾ 94	10	99⅞	100⅛	+0⅞	−0¼	7.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	3,665.4	20,406.9
Previous week	10,627.0	21,036.4
Other bonds		
Last week	1,319.3	1,059.4
Previous week	1,172.6	1,004.9

* No information available—previous day's price.
† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Blyth, Eastman, Paine Webber International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

Closing prices on September 14

Sanwa International Limited

Change of Telephone Numbers
Eurobond Sales and Trading Department

As from Monday 24th September, 1984 the telephone numbers of the Eurobond Sales and Trading Department will change to:

01-621 1551
01-621 0888

The address, general telephone number, cable address and telex number remain unchanged.

Sanwa International Limited
P.O. Box 245, 1 Undershaft, London EC3A 8BR
Telephone: 01-623 7991. Cables: Sanwaintl London
Telex: 887132 Sanint G

Peppermint Oil

With a long history in planting, Anhui is one of the main provinces in China which produce crude peppermint oil. In recent years, large quantities of high-grade crude peppermint oil is available for purification. Fine in quality, our "Polar Bear" Brand Menthol Crystal and Peppermint Oil (Dementholized) are in great demand in the world market.

Litsea Cubeba Oil

Litsea Cubeba Oil is a traditional export commodity of Anhui. Anhui is rich in Litsea Cubeba and has a long production history. The oil is distilled from the seeds of litsea cubeba. Its citral content is above 75% and has a heavy lemon fragrance.

Spearmint Oil

Anhui is one of the major provinces producing Spearmint Oil. We have introduced improved varieties of Spearmint in recent years; the Oil produced now is light yellow in color and with a delicate fragrance. With a carvone content higher than 80%, it is widely used in the production of such products as chewing gum and tooth paste.

CHINA NATIONAL NATIVE PRODUCE & ANIMAL BY-PRODUCTS IMPORT/EXPORT CORP., ANHUI NATIVE PRODUCE BRANCH
ADDRESS: 135 HONGXING ROAD, HEFEI, CHINA.
TELEX: 33351 AHFTB CN. CABLE: ANHUITC. TEL: 75731 77684

Limits prompt Barclays to quit Swedish leasing

BY DAVID BROWN IN STOCKHOLM

BARCLAYS BANK plans to sell its majority shareholding in Independent Finans (IF), the large Swedish leasing company, in a deal which could be worth as much as SKr 100m (£9.2m).

The move was prompted by Swedish credit market rules which severely restrict foreign-owned financial companies from branching out into other services, according to executives on both sides of the deal. Barclays now controls some 74 per cent of the votes in IF.

Independent Finans has already reached agreement to acquire a new finance operation and is negotiating a deal which could bring it into stock brokerage as well, but has been held back by its status as a foreign controlled company.

Despite plans to allow foreign banks to open branches in Sweden starting late next year, no major changes have been taken to ease the restrictions on outside owned finance companies, bankers here say.

Under the arrangement, Barclays will lower its 53 per cent holding in the A and B shares to 20 per cent of both shares and votes. United States Leasing will dispose of its entire 14 per cent holding.

The major buyers are Custos and Ratos, two Swedish investment firms which will each take 20 per cent, and which have agreed to sell their jointly owned Finans AB Cartos finance subsidiary in exchange for 100,000 new shares each in IF.

IF, formerly Independent Leasing was established in 1969 by U.S. Leasing and Mercantile Credit (which was acquired by Barclays in 1975). Barclays Bank International bought a further 39 per cent stake in 1981.

The company has a balance sheet total of some SKr 2.5bn, which will double following the Finans AB Cartos deal.

Don Bros. well ahead at £2.86m

A SUBSTANTIAL increase in both turnover and profit has been shown by Don Brothers, Buist for the year to May 27, 1984 and Mr William Low, chairman, says that trading for the current year to-date is ahead of that for the comparable period.

Turnover increased from £28.61m to £39.23m and pre-tax profits more than doubled from £1.22m to £2.86m.

The net final dividend has been lifted from 2.35p to 3p, which lifts the total from 3.5p to 4.5p. Earnings per 25p share are shown as increasing sharply from 12.6p to 21.4p.

Demand for the main product groups of this textile manufacturer continues at a satisfactory level says Mr Low, and he looks forward with optimism to the year ahead during which the group will endeavour to increase earnings and consolidate its position.

He points out that the rationalisation of activities is starting to take effect and the acquisition of Tay Textiles has helped improve trading.

Tax amounted to £1.45m (£393,000) and extraordinary debits took more at £295,000 (£141,000). Attributable profits emerged ahead from £685,000 to £1.11m from which dividends will absorb £196,252 (£147,189).

Ryan jumps to £1m despite big losses in UK and U.S.

DESPITE MAJOR losses incurred in the UK as a result of the miners' strike, Ryan International, a Cardiff-based coal recovery group and buildings materials distributor, virtually doubled pre-tax profits from £542,000 to £1.01m in the six months to June 30, 1984.

The company's Belgian activities have "traded in a most profitable manner," the directors state. The expectations from technological improvements in coal recovery have been achieved, giving higher yields and a longer life to certain sites.

Continued plant problems in the U.S. have resulted in a substantial loss during the period. Plant modifications have now been completed, however, to produce a significant improvement in trading results.

In the UK the company's building products companies have sustained their growth pattern and continue to be profitable.

Earnings per 5p share were shown to be up from 0.62p to 1.53p, but again there will be no dividend pay-out. The last dividend was paid in 1974.

After distribution and administration expenses, operational profit stood at £1.82m as against £1.26m and included £58,000 from the sale of certain land and building. Turnover was lower at £12.23m (£13.09m).

Interest received totalled £52,000 this time, but interest payable took an increased £814,000 (£617,000), and tax was higher at £517,000 as against £40,000.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims are finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Aidcom International, Barr and Wallace Arnold Trust, C. D. Bramall, W. Canning, HS Electronic Components, Ransomes Sims and Jefferies, Sale Tilney, Scottish Heritable Trust, Simon Engineering, Spring Ram, Tarmac.

Finals: Chambers and Fargus, Dalgety, GT Japan Investment Trust.

FUTURE DATES

Interims:

Amari	Oct 8
Beauford	Sept 27
Clarke, Nickolls and Coombs	Sept 20
Garton Engineering	Sept 18
Higgs and Hill	Oct 10
Pantherella	Sept 24
Pritchard Services	Sept 18
United Friendly Insurance	Sept 24

Finals:

Mitchell Cotts	Oct 4
Northern Ind Improvement Tst	Sept 21

Hall Engineering (Holdings) PLC

Interim Dividend on Ordinary Shares

The interim unaudited results of the Group are as follows:—

	6 months to June 1984 £'000	6 months to June 1983 £'000	Year to December 1983 £'000
Turnover	60,962	58,377	109,928
Operating Profit	1,451	1,741	2,710
Income from shares in related companies	913	1,857	3,869
	2,364	3,598	6,579
Deduct interest	840	738	976
Profit before tax	1,524	2,860	5,603
Tax	768	1,131	2,275
Profit after tax	756	1,729	3,328
Minority interests	6	(2)	(5)
	750	1,731	3,333
Deduct extraordinary items	590	105	217
Profit after extraordinary items	160	1,626	3,116
Preference dividend paid	32	32	64
Earnings per ordinary share	5.06p	11.98p	23.05p

A deterioration in trading conditions, primarily in Singapore and Saudi Arabia, has contributed to a significant reduction in income from shares in related companies. Profits have been further eroded by the effects of the miners' strike and by intense price competition in the Group's reinforcement activities.

With the strike still unresolved it is difficult to predict the outcome of the second half of the year but there is presently evidence of some improvement in margins elsewhere in the United Kingdom. However as no increase in the contribution from our overseas interests is foreseen it is unlikely that results from the second half of the year will show an improvement on those of the first half.

The Directors have declared an unchanged interim dividend for the year of 3.41p per Ordinary Share to be paid on 9th November, 1984 to shareholders on the Register at the close of business on 11th October, 1984. The total cost of this dividend will amount to £483,700 (1983 – 3.41p per share – cost £483,700).

Hall Engineering (Holdings) plc, Harlescott Lane, Shrewsbury SY1 3AS

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MICRO BUSINESS SYSTEMS plc

(Incorporated in England under the Companies Acts 1948 to 1976, No. 1367226)

Share Capital

Authorised		Issued
£2,500,000	Ordinary Shares of 10p each	£1,780,664

The Council of The Stock Exchange has admitted the whole of the issued share capital of the Company and the 6% Convertible Unsecured Loan Stock 1997 to the Official List. These securities were formerly dealt in on the Unlisted Securities Market.

Particulars relating to the Company are available in the Extel Statistical Services and may be obtained during usual business hours up to and including 5th October 1984 from:

Simon & Coates, 1 London Wall Buildings, London EC2M 5PT

Finlan fails in bid for Lincroft

THE BID by John Finlan for Lincroft Kilgour, the textile and industrial group, lapsed on Friday after acceptances from the holders of 14.36 per cent of the Lincroft equity took Finlan's total holding to only 38.15 per cent.

The Takeover Panel had ordered a two-week extension to the normal 60-day period for which the bid was open after ruling that a graph comparing the performance of the two companies prepared for Lincroft was likely to be misinterpreted by some people.

The panel rebuked Lincroft and its advisers Kleinwort Benson, saying that the use of complex financial analysis of that nature was inappropriate.

Finlan, a property and construction group chaired by Mr Graham Ferguson Lacey, received acceptances from holders of 858,272 shares or 14.36 per cent of the total equity.

It owned no Lincroft shares before making its offer but bought 1.09m or 23.79 per cent during the course of the bid.

Sparrow profit hit by Saudi operations but upturn seen

THE REDUCTION in profits from related companies has meant a sharp reduction in pre-tax profits for the half year at G. W. Sparrow and Sons, from £681,000 to £262,000. Turnover of this crane hire group was marginally higher at £14.98m (£14.57m).

The interim dividend is held at 0.5p, and the final will depend on the second half results. Earnings per 20p share were shown at 2.29p against 5.44p.

In total, UK-based operations showed an increase in profits, from £126,000 to £258,000, but the profits of related companies were down from £455,000 to £4,000.

As reported at the last year end, part of a long-term contract in Saudi Arabia was terminated earlier than expected because of the cut-back in oil production. This, coupled with a general reduction in activity in that country, is the main reason behind the drop in profits there.

The group is confident, however, of some improvement in results from that source for the second half of the year. The Rezayat-Sparrow Arabian Crane Hire company is 49 per cent Sparrow owned.

Sparrow's offshore services had a good half year's trading, and should end the year well, with an increase on last year's profit. Conditions within the crane hire industry, however, remain highly price competitive, with few large projects planned to absorb the industry's fleet of cranes. The main weakness is in the heavy cranes section.

Where the work situation has worsened since June, the company are taking steps to correct this, but it is difficult to forecast the time by which improvements will be achieved.

Staff costs took an increased £7.3m (£6.6m) and other operational charges £5.23m. Interest was lower at £920,000 (£953,000), and tax was also down at £38,000 compared with £51,000.

COMPANY NEWS IN BRIEF

A substantial improvement in pre-tax profits from £263,000 to £710,000 has been shown by Petrocon Group for the first half of 1984. The bulk of the increase came from operations in the North Sea—the company supplies equipment and services to the oil industry—although profits from overseas associates also showed some recovery.

The directors say that most businesses are making good progress and they are optimistic about the outcome for the year—last year pre-tax profits came to £704,000.

The net interim dividend has been lifted from 1.25p to 1.75p—in the past full year a total of 3.75p was paid. First half earnings per 12½p share were shown as rising from 3.62p to 9.21p.

Turnover moved up from £4.14m to £5.06m. Petrocon Drilling Tools, with the benefit of additional inventory ordered in 1983, and including Drilling Tools Holdings since last May, has made a particularly good start to the year. Two further businesses have been acquired, Bascot Services (North Sea) and Offshore Drilling Investments.

* * *

THE INCREASE in turnover noted by builders' merchant Gibbs and Dandy in the opening three months continued in the second quarter and enabled the group to lift its pre-tax profits for the half year to June 30 by £91,383 to £149,780.

Turnover improved to £8.36m (£7.16m). The increase here was partly attributable to an upturn in the construction industry in the group's trading area. The group's expansion into the "heavy" side of builders' merchanting has continued to prove successful.

In view of the current economic situation, together with the proposed cutbacks in local authority spending, the outlook remains uncertain but it is hoped the improving sales trend will continue.

* * *

Robert McBride (Middleton), manufacturer of domestic bleaches, detergents and toiletries pushed first half taxable profits up from £2.18m to £3.18m.

Turnover for the period to end-June 1984 amounted to £20.46m compared with £13.09m.

Net assets at the end of period totalled £13.47m (£10.96m). The company is a subsidiary of British Petroleum.

* * *

I. & J. Hyman, polyurethane foam converter and manufacturer, returned pre-tax profits up 44 per cent, from £539,214 to £775,104 for the half year to June 30 1984. During this time turnover increased from £13.65m to £14.53m, and operating profit by £86,000 to £1.02m.

Related companies' share of the profit was £39,445, compared with an £18,592 loss in the corresponding period.

Interest payments took £284,695 against £375,938, and tax was £99,477 (£25,884).

An interim dividend of 0.5p (nil) will be paid on the increased capital. At the time of the rights directors expected total dividends to be not less than 1.4p net per ordinary share.

* * *

Pre-tax profits at Thomas Walker, manufacturer of metal smallwares for the clothing industry, rose from £135,000 to £179,000 in the year to June 30 1984. At halfway, profits had increased from £51,813 to £86,390.

The final dividend is raised from 0.6p to 0.6575p net for an increased total of 0.925p (0.7675p). Earnings per 5p share were stated to be down from 2.31p to 2.2p.

Turnover rose from £1.85m to £2.21m. Tax took £47,000 against a £3,000 credit last time, and there was an extraordinary debit of £47,000 (nil), being deferred tax provision. Attributable profits emerged at £85,000 compared with £139,000.

* * *

Pre-tax profits of Nationwide Leisure, Hemel Hempstead-based diversified leisure concern, surged from £79,000 to £306,000 for the six months ended April 30 1984.

Current trading shows the group is well on track to achieve its target operating profits for the full year.

Turnover was £6.52m (£1.24m) and after tax of £61,000 (£41,000) earnings per share are shown as 9.8p (0.2p).

* * *

Pre-tax profits of the Newey Group of smallware manufacturers advanced from £373,536 to £519,520 over the 26 weeks to June 29, the progress achieved underlining the commercial and financial strength of the group.

Turnover, excluding inter-group sales, rose from £8.49m to £8.38m. After tax and minority interests there was a surplus of £436,578, against £305,818.

Newey is a subsidiary of William Prym-Werke KG, incorporated in W. Germany.

* * *

On an improved turnover of £3.89m, compared with £3.2m, Telfost Holdings raised its pre-tax profits from £191,000 to £252,000 in the first half of 1984.

To reduce disparity the net niterim dividend is lifted from 0.42p to 1.05p.

Earnings were shown as 4.2p (3.5p) basis and at 3.2p (2.7p) fully diluted. Prospects for the full year are "encouraging." The group manufactures non-ferrous metal products and metal spraying equipment.

* * *

Profits before tax of Wolstenholme Rink, predominantly connected with the production of bronze and aluminium powder, rose from £601,000 to £818,000 over the first half of 1984 and with demand for its products remaining "encouraging" the results for the full year are expected to show a "significant improvement."

First half turnover reached £10.69m (£9.9m) and continues to be broadly in line with expectations. The interim dividend is the same at 2.5p.

* * *

An increase from £313,000 to £336,000 in pre-tax profits is reported by Macallan-Glenlivet, the distiller of malt whisky, for the six months to June 30 1984. Turnover rose from £2.08m to £2.21m, and trading profits emerged higher at £778,000 against £726,000.

The directors say the advance in both turnover and trading profit reflects the growth in sales of the company's single malt whisky and the greater contribution from new fillings. Margins have also shown a "pleasing improvement."

In the absence of any unforeseen factors, they continue to expect a modest advance in taxable profit for the year.

The interim dividend is raised from 0.75p to 1p net—last year's total was an adjusted 2.633p from pre-tax profits of £611,000 (£503,000). First half pre-tax profits included leasing rentals unchanged at £86,000 but was after interest charges up from £234,000 and depreciation £7,000 higher at £100,000.

* * *

Powerline International, the Reading-based USM electronic power supplies concern, has pushed pre-tax profits up from £165,000 to £549,000 for the half year ended June 30 1984. Turnover expanded from £1.43m to £2.38m.

The directors say the company is well on the way for its March flotation forecast of over £1.2m profits for 1984. As forecast, the interim dividend is 0.6p.

* * *

On turnover well up at £2.4m, compared with £597,705, taxable profits of Celtic Haven, engineer and steel frabricator, doubled from £116,903 to £235,302 for the year ended March 31 1984. The dividend is unchanged at 0.75p net with a same-again final of 0.5p.

The group is currently trading profitably, but the directors say it is impractical to forecast full-year profits because of the economic situation.

After tax of £63,985 (£56,907 credit) earnings per share were 3.1p (3.5p).

STANDARD BANK IMPORT & EXPORT FINANCE COMPANY LIMITED

US$50,000,000

Guaranteed Floating Rate Notes due 1986 (Convertible at the option of the Noteholder into 8¼% Guaranteed Bonds due 1985)

NOTICE IS HEREBY GIVEN that the Rate of Interest has been fixed at 12⁵⁄₁₆% and the Coupon Amount payable March 18, 1985 against Coupon No. 9 will be US$1,587.76. The Conversion Interest Amount payable March 31, 1985 against Coupon No. 9 will be US$101.56.

September 17, 1984 London
By: Citibank, N.A. (CSSI Dept), Agent Bank

LADBROKE INDEX

Based on FT Index

850-854 (−8)

Tel: 01-427 4411

BAWAG

BANK FÜR ARBEIT UND WIRTSCHAFT A.G.

(Incorporated with limited liability in Austria)

U.S.$40,000,000

Subordinated Floating Rate Notes due 1990

In accordance with the terms and conditions of the above-mentioned Notes notice is hereby given that the Rate of Interest has been fixed at 12⅜% per annum and that the interest payable on the relevant Interest Payment Date, March 18, 1985, against Coupon No. 5 in respect of U.S.$10,000 nominal of the Notes will be U.S.$625.63.

September 17, 1984, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

Today's Rate 11¼%

3i Term Deposits

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid half-yearly. Rates for deposits received not later than 21.9.84 are fixed for the terms shown:

Terms (years)	3	4	5	6	7	8	9	10
Interest %	11¼	11¼	11¼	11¼	11¼	11¼	11¼	11¼

From 6th April 1985, interest will be paid after deduction of tax at the composite rate to UK resident individuals on deposits of less than £50,000. Deposits to and further information from the Treasurer, Investors in Industry Group plc, 91 Waterloo Road, London SE1 8XP. (01-928 7822 Ext. 2367.) Cheques payable to "Bank of England, a/c Investors in Industry Group plc."

3i INVESTORS IN INDUSTRY

FINANCIAL TIMES STOCK INDICES

	Sept. 14	Sept. 13	Sept. 12	Sept. 11	Sept. 10	Sept. 7	1984 High	1984 Low	Since Compilatn High	Since Compilatn Low
Government Secs.	80.39	80.35	80.15	80.20	79.63	79.49	85.77	75.72	127.4	49.18
Fixed Interest	83.29	83.26	83.21	83.11	82.82	82.73	87.48	80.43	150.4	50.53
Industrial Ord.	859.4	858.8	857.6	858.0	847.4	851.7	922.8	755.3	922.8	49.4
Gold Mines	514.0	512.1	521.4	515.7	516.2	533.2	711.7	485.7	734.7	43.5
FT-Act.All.Share	523.77	521.92	520.92	520.16	516.22	518.58	536.71	464.84	536.71	61.92
FT-SE100	1109.6	1105.5	1103.8	1103.1	1091.6	1099.3	1141.6	986.9	1141.6	986.9

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
95	F.P.	31/8	110	105	‡Alphameric 5p	105	......	0.7	6.2	1.0	28.7
75	F.P.	7/9	89	81	‡Blue Arrow	86	......	bg1.2	3.2	2.0	11.4
120	F.P.	23/8	131	123	‡Compsoft Hdgs. 5p	131	+1	g1.5	3.0	1.6	28.0
105	F.P.	5/10	150	140	‡Extract Wool 50p	142	..	bg4.68	2.2	3.7	17.2
[illegible]	F.P.	—	34	30	F.&C. Pacific InvWrrts	34	......	—	—	—	—
160	F.P.	24/9	220	185	Great Western Res.	215	..	—	—	—	—
47	F.P.	2/10	49	45	‡Hoggett Bowers 5p	48	+2	bg10.	6.1	3.0	7.9
[illegible]	F.P.	—	140	120	‡Ind. Scot. Energy £1	125	......	—	—	—	—
[illegible]	F.P.	—	£14	£12½	Inv. AB Beijer 'A'SK.50	£13	......	7.0	b2.5	2.6	18.3
165	F.P.	28/9	181	170	Jaguar	178	+2	b7.75	2.0	6.2	7.5
[illegible]	F.P.	12/10	85	80	Young (H.)	80	......	—	—	—	♦

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or −
100	F.P.	4/1	105⅛	100¾	Amer. Brands 12⅞% Un. Ln. 2009	102½	+½
99.00	£10	10/1	10½	8¼	BristolWaterworks 11¾% Red.Deb.2004	10½	+¼
99.57	£10	—	10¾	10¾	Bournemouth Water 8% Red.Prf. 1988	10¾	
99.57	£10	—	10¾	10¾	Cambridge Water 8% Red. Prf. 1988	10¾	..
100	£10	26/10	21	10½	Do. 13% Red. Deb. 2004	19	+1
96.871	F.P.	1/10	98½	96	Edinburgh Inv. Tst. 11⅛% Deb 2014	98½	−½
99	£10	—	10¼	10	Essex Water 8% Red. Prf. 1989	10¼	+¼
98.161	£30	17/1	30⅞	28⅝	Intl. Bk. for Recon. & Dev. 11½% Ln. 2003	30⅞	−⅛
98.152	£25	22/11	29¼	22	Marley 11⅞% Deb. 2009	29¼	+¼
—	F.P.	—	100	99¼	Nationwide 11¼% 27.8.85	99¾	+1/16
—	F.P.	—	100	99½	" 11½% 9.9.85	100	.....
100	F.P.	—	113	106	T.V. South 10% Sub. Conv. Ln. 1997	113	
1	Nil	14/9	56ppm	18ppm	Trans-Natal Coal 12.7% Uns. Cnv. Deb	18ppm	
100	£10	27/9	14½	10½	York Waterworks 13% Red Deb. 1994	14	+½

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date ■	1984 High	1984 Low	Stock	Closing price	+ or −
133	F.P.	20/9	140	133¾	‡Applied Botanics Units	137	...
50	Nil	28/9	5pm	½pm	‡Gaunt (Rowland)	2pm	+½
110	F.P.	26/9	53pm	18pm	‡Ind. Scotland Energy £1	18pm	..
4	F.P.	14.9	4⅛	2½	LOFS Pfd. Ord. 1p.	3½pm	.
38	Nil	—	8½pm	6pm	Meggitt 5p	8½pm	−2½
40	Nil	—	6pm	4pm	Morley (R.H.) 10p	6pm	..
300	F.P.	7/11	490	470	NatWest Bank £1	485	+5
90	F.P.	28/9	128	105	Norton Opax 10p	138	+8
A84	A82	7/9	308pm	122pm	Santos A0.25c	306pm	+6
150	Nil	—	43pm	32pm	Securicor Group	43pm	+3
136	Nil	—	43pm	34pm	Do. 'A' N-V	43pm	+3
142	Nil	—	44pm	32pm	Security Services	44pm	+9
A$0.50	Nil	—	75pm	72pm	TNT A$0.50	75pm	+3
192	F.P.	12/10	267	352	Unitech 10p	265	...

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. *Q Gross. p Pence unless otherwise indicated.* ¶ *Issued by tender.* ‖ *Offered* holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ■ Allotment letters (or fully-paid). ‖‖ Introduction. ‡ Unlisted Securities Market. § Placing price. † Units comprising 6 Ord. £1 nom 12 per cent Cnv.Uns.Ln. 95/2000.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*Aberdeen Constructn	Sept 27	Interim 2.1
*Anglo Am Crpn OFS Goldmines	Oct 18	Finals due
*BAT Industs	Sept 18	Interim 3.375
*BSG	Oct 1	Interim 0.35
*Bank of Scotland	Sept 25	Interim 11.5
*Barratt Devs	Sept 18	Final 5.31
*Bell (Arthur)	Sept 25	Final 2.85
*Bowthorpe	Oct 9	Interim 1.64
*Brent Chems	Sept 18	Interim 0.6
British Home Stores	Oct 19	Interim 1.75
*Brixton Estate	Sept 18	Interim 1.9
Brooke Bond	Oct 18	Final 2.85
*Canning (W.)	Sept 17	Interim 0.5
Charterhall	Sept 22	Final 0.3
J. Rothschild	Sept 1	Interim due
*Coats Patons	Sept 19	Interim 1.5
Comb English Stores	Sept 27	Interim 1.49
*Consolidated Gold Fields	Sept 18	Final 16
Currys	Oct 3	Interim 1.4
*DRG	Sept 26	Interim 3.0
*Dalgety	Sept 17	Final 11.0
Debenhams	Oct 7	Interim 2.2
Dunlop	Sept 22	Interim nil
Eastern Produce	Sept 28	Interim 1.5
*Fisons	Sept 18	Interim 6.0
*Foseco Minsep	Sept 26	Interim 2.65
Freemans	Oct 3	Interim 1.9
Gerrard and National	Oct 20	Interim 3
Gill and Duffus	Oct 26	Interim 4
Glaxo	Oct 10	Final 6.25
*Grattan	Sept 20	Interim nil
Hambro Life	Oct 5	Interim 4.7
Hammerson Prop	Oct 14	Interim 3.0
Harrisons and Crosfield	Oct 18	Interim 8
Hawker Siddeley	Oct 19	Interim due
*Higgs & Hill	Oct 10	Interim 4.0
Highland Dists	Oct 24	Final 2.23
Hill (Philip) Inv. Tst	Oct 27	Interim 2
*House of Fraser	Sept 18	Interim 2.5
*Ibstock Johnsen	Oct 8	Interim 1.75
*Inchcape	Sept 27	Interim 7.15
*Laing (J.)	Sept 20	Interim 1.25
*Laing Properties	Oct 2	Interim 2.25
*Lopome	Sept 20	Interim 4.0
*Menzies (J.)	Oct 1	Final 9.0
Mills and Allen	Sept 28	Interim 2.0
Mowlem (John)	Oct 13	Interim 2.2
NEI	Sept 29	Interim 1.65
*RMC	Sept 26	Interim 4.1
*Ransomes Sims and Jeffries	Sept 17	Interim 5.0
*Rio Tinto-Zinc	Sept 19	Interim 6.0
*Rowntree Mackintosh	Sept 20	Interim 3.2
*Rugby Portland Cement	Oct 1	Interim 2.7
Scottish Met Prop	Oct 12	Final 2.0
Sears	Oct 4	Interim 0.7
*Simon Eng	Sept 17	Interim 4.0
Superdrug	Sept 29	Interim 1.4
*Steetley	Sept 25	Interim 4.0
*Tarmac	Sept 17	Interim 3.6
Telephone Rentals	Oct 19	Interim 2
*Travis and Arnold	Sept 24	Interim 1.68
UEI	Oct 14	Interim 2.0
*United Newspapers	Sept 25	Interim 5
*Vickers	Sept 27	Interim 3.0
Wimpey (Geo.)	Sept 29	Interim 0.85

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

LOUIS NEWMARK PLC

Statement of Group Results for the year ended 31st March, 1984

		1983/84 £'000	1982/83 £'000
Turnover		33,396	29,696
Group Profit		1,853	1,608
deduct: Depreciation		731	717
		1,122	891
deduct: Exceptional item (see below)		351	—
Profit before Taxation		771	891
deduct: Provision for Taxation (see Note 1)		107	263
Profit after Taxation		664	628
add/deduct: Extraordinary item (see Note 2)		552	(88)
Profit after Extraordinary item		1,216	540
Dividends (Net) Preference		30	30
		1,186	510
Ordinary: Interim	133		
Final	222	355	355
Retained Profits carried forward		831	155

Note 1: The taxation charge for the year has been reduced by £335,000 (1983 £259,000) as a result of stock relief.

Note 2. As a result of fundamental changes in the basis of taxation contained in the Finance Act 1984 the deferred taxation provision at the beginning of the year has been recalculated giving rise to an extraordinary taxation credit for the year of £552,000 (1982/83 £88,000 closure of factory).

The Chairman, **Mr Geoffrey Newmark** in his Report states —

Had it not been for the collapse of Camber International (England) Limited as detailed in our Interim Report, the Board would have reported profits of £1.122M as compared with £891K for the previous year, an increase of 26% against an increase in turnover of only 12.5%. Regrettably, however, the collapse of Camber has reduced profits by £351K.

Despite the fact that the commercial side of our business is now making steady progress both in growth and profitability, the current delays in defence policies in the International Field force me to take a prudent view in forecasting the profits for the year to 30th March, 1985 and anticipate a result similar to that achieved in the year now closed (£1.122M).

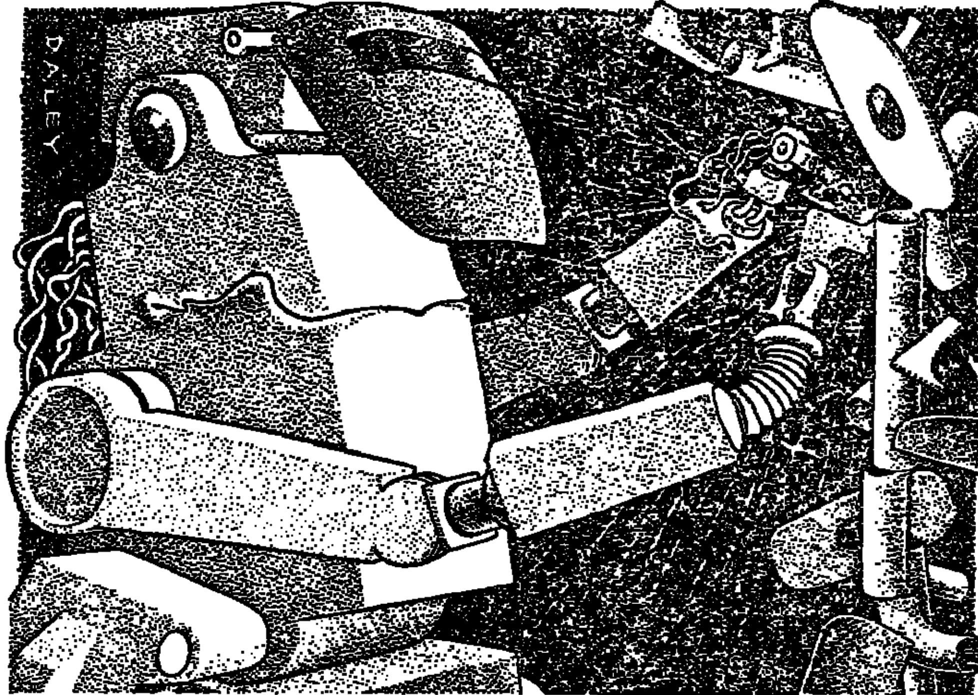
Directors recommend a final dividend of 7.5p per share giving a total for the year of 12.0p per share similar to last year.

Copies of the full Report can be obtained from the Secretary 80 Gloucester Road, Croydon, CR9 2LD.

Cheswick Silencers

Why a robot has lessons to learn

Peter Marsh reports on a Government financed project which is enabling a car silencer manufacturer to assess a new system of automation



WHAT IS orange, sits in a cage in a Blackpool factory and (at least for the plant's employees) provides an attraction to rival the seafront illuminations a few miles down the road?

The answer is an industrial robot, made by Cloos of West Germany, that TI Cheswick Silencers is attempting to teach the difficult art of welding together pieces of metal.

The machine is in the hands of the company's development engineers and will not see service on the shop floor until next year. But the company has deliberately sited the robot close to the line of its 30 or so human welders whose skills it is attempting to learn.

According to Bob West, personnel director at the factory, the machine has attracted a great deal of interest from among the employees. Comments have ranged from helpful suggestions to scepticism that the hardware will ever become as useful as its human counterparts.

Because robots take over work from people, shop-floor workers often view the machines as a threat. The company, however, believes any job losses directly due to robots can be compensated for by redeploying employees in other parts of the factory.

So TI Cheswick set out to involve its workers in the effort to fit the machine into the factory's way of operating. At the same time it is hoping that automated techniques will lift it out *of a sales slump*. As a manufacturer of exhaust systems for car companies such as Vauxhall, Jaguar and Ford it has been hit by the recession in the car industry and forced to cut its workforce from 260 three years ago to 170 today.

With increased automation, the company thinks it may be able to raise productivity and turn out components on a more flexible basis to meet different requirements from customers. "To stay in business, we have got to learn about robots," says West.

To put a robot to work in a factory that relies mainly on *conventional manufacturing* methods is, however, a difficult and expensive business.

Indeed, West admits that TI Cheswick might not have started the development effort had it not been for two government schemes that made the job easier.

Grant towards installation cost

First, a grant from Department of Trade and Industry paid for 30 per cent of the installation costs of the robot system—which, together with special jigs and fixtures, came to about £90,000.

Second, much of the development effort has been the job of a graduate engineer whose services for two years have cost the company virtually nothing. Michael Bounds, aged 24, was seconded from Liverpool Polytechnic under a teaching-company scheme administered by the Science and Engineering Research Council.

Teaching companies are partnerships between the SERC and companies in manufacturing industry. They are intended to give academically-trained engineers experience of working in industry. At the same time, the engineer (whose salary during the secondment is paid for by the SERC) is supposed to help out the company in an area of difficult *technology*.

Bounds has evidently proved his worth to TI Cheswick. At the beginning of August he left the teaching-company scheme and became a full-time employee of the company.

Welding applications involving robots are hardly new. But when he started his spell with TI Cheswick, Bounds had to begin virtually from scratch in finding out how to employ the hardware. He had to learn a lot about how robots work and survey the robot industry to find the particular kind of machine that would suit the company's requirements.

The Blackpool factory turns out no fewer than 450 types of exhaust systems. It makes these in batches that range from a few dozen to several thousand. Metal is initially cut and stamped to form the tubes and silencer boxes that are part of the finished exhaust system. In the final part of the process, these items are welded together. An exhaust system for a typical car could contain half a dozen bits of metal that require 30-40 separate welds.

With such a range the accent in the welding lines is on flexibility. Which is why humans—who are supremely versatile—are very good at the job.

But for two reasons, at least in theory, robots could do even better. First, they promise higher productivity. Second, when working at maximum they are virtually 100 per cent *consistent, whereas even the* most adept human welder makes occasional mistakes.

Robots, therefore, fit in with the car industry's move toward greater quality control. Car companies are becoming increasingly more likely to reject components from suppliers that do not come up to standard.

In adapting a robot to its welding routines, though, TI Cheswick encountered three major problems. The first concerns what Richard Tinkler, the company's manufacturing services manager, describes as the "robot domino effect." This describes how robots can dramatically affect processes in other parts of the factory. A welding robot will work effectively only if the parts that it is fixing together are made according to tight specifications.

While a human welder can adjust his routine to take into account a piece of metal that is badly shaped, a robot will carry on regardless—according to its fixed program. Unless the metal component is made to a tight level of tolerance, the machine will put the weld in the wrong place and ruin the job.

TI Cheswick thinks that for its robot to work effectively the machine will have to receive batches of metal parts in which the dimensions vary by no more than about 1 millimetre. At present, human welders at the factory can work with parts where the tolerances are about 3 mm.

As a result, the people in the Blackpool plant who work upstream of the robot in jobs such as bending or cutting metal will have to adjust considerably their own procedures.

A second major task for the engineers working with the robot was to re-design the jigs that hold components while they are being welded. When a person is fixing together parts with a welding torch, he may periodically lift out from the jig the pieces of metal so that, for example, he can place a weld in a place that is difficult to reach.

First principles of design

The whole point of using a robot, however, is to minimise manual intervention. Engineers must ensure that a robot can apply all its welds while the metal parts on which it is working stay in the same position in the jig.

TI Cheswick reasoned that it had to approach the design of its mechanical fixtures entirely from first principles. Kilgour Holdings, a small engineering company in Blackpool which had no previous experience of the silencer firm's way of working, was employed to fashion a new set of jigs.

The third and most fundamental problem is to construct the programs that will control the robot while doing a welding job.

Such software requires work on two fronts. The robot arm (which holds the welding torch) must be told accurately where to go to get into the right position for welding.

Engineers also have to tell the welding hardware what to do once in this position. In this job, the computer that controls the robot contains information about, for example, the electric power that the welding torch must apply and for how long the current should be switched on.

According to Bounds, to learn to program a robot to execute a set series of movements takes only a couple of weeks. But to teach it the tricks of welding is a lot more difficult. In this second aspect of the work, Bounds had to receive instructions from skilled manual welders at the silencer plant.

The development team has just reached the stage of giving the robot simple instructions about welding routines. Initially at least, the engineers will probably take several days to program the robot to do a welding job that might last less than five minutes.

Gradually, the engineers will build up a library of routines so that the robot can apply welds for about 20 out of the company's range of products. If all goes to plan, the robot will leave the development stage next summer and start full-time production. After this—and the company is making no rash forecasts—more robots may be employed on other parts of the welding line.

TI Cheswick is still unsure about the results of its flirtation with robots, though West says that the company has learned a lot from the teaching-company scheme and increased its awareness of what graduates in engineering can do for the company.

As for Bounds, he has little doubt that he has gained personally from the programme. "I have been involved in a project from the very earliest stage and have the chance to see it through to completion. The experience has been invaluable."

Working system

A 140-day year

NEK CABLES, the UK subsidiary of the Norwegian company Norsk Elektrisk Kabelfabrik, has been operating for two months one of the most extensive "continental" shop floor shift systems used in Britain.

The system has settled down well so far, though the company believes it is too early yet to assess how successful it will be. The system, which involves shop floor personnel working just 140 days out of 365 applies to 75 of the company's workforce of 95 at its Washington New Town plant, Tyne and Wear.

The system involves machine operators working two 12-hour day shifts from 7 am to 7 pm consecutively, followed by a 24-hour break, then two consecutive night shifts from 7 pm to 7 am. They then take four shifts off work. After eight weeks of this they have an 18-day holiday to complete a ten-week cycle, this holiday block occuring five times yearly.

The shop floor therefore works 140 12-hour days a year with an average working week of 33 hours, incorporating two and a half hours of meal breaks. The plant now runs for 24 hours a day, every day except during the nine-day Christmas shutdown.

NEK makes low voltage cable for a range of customers and the jobs to which the shift system applies include extruding operations, inserting braid through the cable, covering the cable with plastic (known as jacketing) and cutting it to required lengths. The Washington plant is being extended—and with the shift system.

Alan Race, the shop steward for the General, Municipal, Boilermakers and Allied Trades Union, says the shop floor appears to have accepted the system despite some initial unease about unsocial working hours. Extra payments linked to the system including shift pay is valued by the union at 12 per cent.

The company which, under Norwegian legislation, can only operate day working at its two home country plants, had offered the union a choice of five systems. Now NEK benefits from higher plant utilisation though at extra wage costs. It has had to employ more operators, who are still being trained, but Alfjorn Bjorvik, the joint managing director, reckons that "everything is under control."

Nick Garnett

Management abstracts

Marketing Banking. D. T. Dunn and others in Business (U.S.), January/March 1984.

Reviews the strong competition to banks from other financial institutions, and the restrictions under which banks operate; looks at marketing activities banks have introduced, and discusses the limited opportunities for further innovation within existing organisational structures; suggests certain additional approaches, eg, using computers as "front office sales vehicles," and appointing "new-product" managers.

Executive Remuneration. H. Murlis in Chief Executive (UK), March 1984.

Points to the opportunity to restore rational pay policies for managers now that the days of high inflation and national income policies seem to be over; discusses the role of salary surveys in setting pay levels and the place of merit increases and incentives.

Decentralised Decision-making. R. Michalski in Cost and Management (Canada), March/April 1984.

Discusses the advantages of decentralised decision-making, for instance by divisional managers, provided the dangers of sub-optimisation—decisions based purely on divisional criteria—are overcome. Argues that both return on investment and residual income methods of evaluating divisional performance have significant limitations and suggests, instead, an incentive plan that will encourage managers to make decisions consistent with companies' best interests.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £3 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

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NOTICE TO HOLDERS OF
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5¾% U.S. Dollar Convertible Debentures Due March 31, 1992

Pursuant to Section 3.05 of the Fiscal Agency Agreement dated as of February 23, 1982 under which the above-mentioned Debentures were issued, notice is hereby given as follows:

1. On August 16, 1984, the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of September 30, 1984 in Japan (September 29 in New York City), at the rate of 0.16 new share for each share held.

2. Accordingly, the conversion price at which the above-mentioned Debentures may be converted into shares of Common Stock of the Company will be adjusted effective as of October 1, 1984 (Japan Time). The conversion price in effect before such adjustment is Yen 606.90 per share of Common Stock, and the adjusted conversion price will be Yen 523.20 per share of Common Stock.

NIPPON KOGAKU K.K.
By: The Bank of Tokyo Trust Company as Fiscal Agent

Dated: September 17, 1984

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TECHNOLOGY

EDITED BY ALAN CANE

P.A. LINKS WITH NOTTINGHAM UNIVERSITY RESEARCHERS ON SIMULATION

Sure grasp of robot design

BY ELAINE WILLIAMS

RESEARCHERS AT Nottingham University believe that they have produced a system which could reduce the hazards of installing robot systems in industry.

They have developed a computer program called GRASP—Graphical Robot Applications Simulation Package—which can simulate robots at work in a factory, the idea being to cut the time to design flexible manufacturing systems and reduce mistakes.

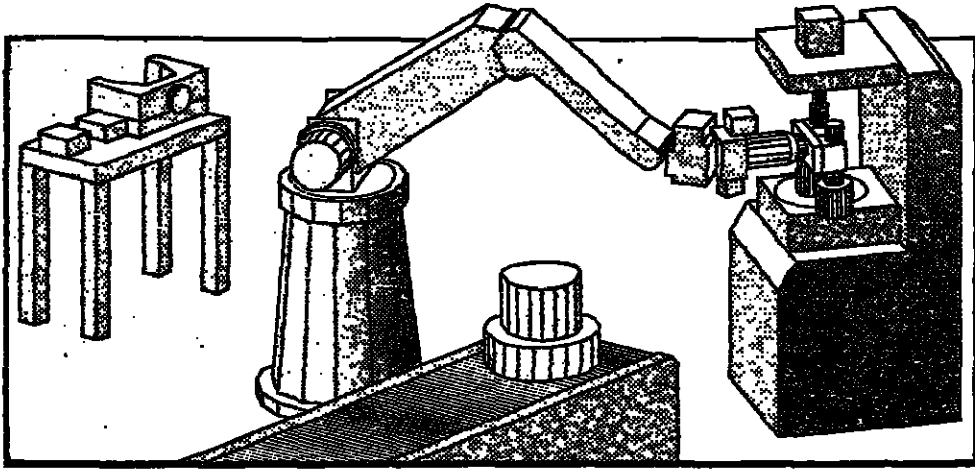
GRASP cost about £250,000 to develop, of which £150,000 came as a grant from the Science and Engineering Research Council.

Dr Yoon Yong and John Green of Nottingham University are two of the founders of a new company, BYG Systems, created to market the system. Dr Yong and his fellow workers are moving into factory space on Nottingham University's new science park in October.

PA Management Consultants has been so impressed by GRASP that it will jointly market the program. PA has set up a demonstration system at its offices near Royston, Herts, to show to its industrial clients. More than 30 per cent of PA's business comes from manufacturing industry.

Dr Yong believes that there will be two major applications for GRASP, the design and layout of new factory automation systems and as a programming aid for robots in existing systems.

The Nottingham University researchers have worked closely with industry during the program's four year development. Computer instructions to the designer are given in clear English to avoid the need for computer jargon. GRASP has simulated a group of four robots welding a truck for Ford, for example. If a designer tries to make a robot perform a move of which it is not capable, GRASP will show this on a computer screen. It can also indicate if a robot is likely to hit on obstacle as it moves.



This robot simulated by the GRASP program is working in a manufacturing cell

With GRASP, designers have a pre-defined set of basic shapes from which to build up robot models on the computer screen. They can simulate all the leading makes from Asea, Unimation, Cinncinnati Milacron or IBM, for example. Workpieces, benches and conveyors can be added to build up a picture of the proposed factory environment.

These are three dimensional models which can be moved around the screen at will, seen from any angle, and the effect of moving one component can be assessed. Animated sequences are possible where the simulated robot is put through its paces as if it were a properly programmed machine on the factory floor.

Examples could include a robot picking items off a conveyor or presenting an engineering part for drilling or polishing. GRASP can even simulate the time taken for a real robot to do the job thus highlighting any synchronisation problems when linking machines on the production line.

Once a work sequence is programmed, a robot of one make can be substituted for another. Technical specifications such as degree of rotation, length of a robot's arm, speed of movement are all entered into the computer. Dr Yong said that robots could thus be compared for their suitability for a particular job. "This can stop you buying an overly-sophisticated robot when a simple one will do," he said.

GRASP will cost from £45,000 at which price it is the cheapest robot simulation system on the market capable of animation and identifying problems. Dr Yong says that it brings the system within the range of small and even medium-sized companies.

Competition is scarce. Only McAuto, part of McDonnell Douglas and ComputerVision have rival programmes.

GRASP will also run on a number of different computers and intelligent terminals. So far versions for Prime and Digital Equipment's Vax computers are available but there are plans for other machines.

Why simulation is a factory 'must'

SIMULATION, OR modelling, of the layout of the factory floor is a logical step in the development of computer aided manufacturing (CAM).

Dr Philip Read, senior vice-president of Computervision, the world leader in computer-aided design techniques, has identified factory floor-simulation as one of the key elements in the introduction of "smart" machinery such as robots, flexible machining centres, computer controlled punch presses, computer-aided testing machines and computer-controlled cutting, turning and milling machinery.

He said earlier this year: "The very programmability of these smart machines creates three major new needs when they are used in a factory:

● The programming of the smart machines needs to be automated

● After programming, the operation of the machine needs to be simulated without actually putting the machine in service

● The information being used to program the various machines needs to be integrated; that is, the part descriptions being fed to each machine should be identical and the manufacturing process should be at the same revision level for all machines."

Dr Read agreed that major advances in manufacturing productivity could be obtained using smart machines without automating these three processes but he emphasised that the productivity of a given investment in smart machines could be multiplied by a factor of two or more using automation.

Companies which invest in smart machines and CAD technology—of which Grasp is an example—reduce their start-up costs, get new products to market faster, create higher quality products and reduce running costs for scrap and rework.

FLEXIBLE MANUFACTURING

IBM shares thoughts on automation

BY PETER MARSH

IBM is sharing its thoughts on how product engineers should rethink the design of manufactured items to make them suitable for assembly by robots.

According to industry estimates, only about 2 per cent of the 60,000 or so robots in today's factories work on assembly jobs. The tasks involved, for example the fitting together of electrical components, are too intricate for most of the current generation of machines.

The percentage could increase to about 45 per cent by 1991, think engineers at IBM. This would follow as a result of two developments, increased sophistication of robots and changes in the design of products to make them suitable for programmable assembly by robots.

IBM sells a range of industrial robots for assembly jobs. It is also installing such hardware in its own manufacturing plants. The corporation has about 900 robots in its factories around the world, half of them for assembly. IBM expects the total to double in the next year.

In a recent paper, Mr John Laszcz, an IBM worker at the Research Triangle Park in North Carolina, spelt out the importance of the design of products.

"Efforts to assemble automatically existing products not designed for robotic assembly are usually costly and difficult to implement. The manufacturing process must be considered when the product is designed, not after the design has been completed.

"Many times assembly of a product would have been easy to automate except for one feature making it impossible or economically unjustifiable to automate. With just a few minor design changes, and usually with no effect on the hardware cost of the product, the product could have been automatically assembled."

Most of the guidelines provided by Mr Laszcz on design are extremely simple. For example, the components of products should be made so that they can be assembled in layers, one on top of each other. Lifting and rotating of parts during assembly should be avoided, as this requires complicated fixtures and grippers. The robot would also take longer to complete the job.

Parts should be compliant so they fit together easily. For instance, edges of metal components should be chamfered. They should also align easily so that there is no possibility that a robot tries to put together two components that are incorrectly oriented.

The concept of "nesting" is important. In this, engineers build into assembly rigs small slots to hold components in the proper orientation. Where possible, components should be snapped together—this saves on the use of fasteners such as screws and bolts which robots find difficult to handle.

Many small metal parts are channelled to robot stations by vibratory bowl feeders. This hardware is continually shaken to keep up a flow of parts and ensure that the components face the right way. But sometimes, due to poor design of the components, the feeders become jammed, which holds up the entire assembly process.

To avoid this, says Mr Laszcz, components should be designed so they easily slide down feeders. They should not have protrusions that tangle easily. Problems can be avoided by design changes that are minor and extremely simple. Thus the hooks on springs should face inwards rather than outwards so they do not catch on other components or on the sides of the bowl feeder.

Designers should reduce the number of flexible parts such as cable and wires, replacing them with stiff components that can be handled easily. A small board that contains plugs could thus substitute for a piece of cable.

The testing and packing stages of manufacture should not be ignored. Where possible, products should be tested automatically, perhaps at a robot station. The test points, for example a pin through which electricity is directed, should be on the outside of the product, not at an internal point that the robot finds difficult to reach.

The changes in design may add costs to the manufacturing process, suggests Mr Laszcz. The manufacturing engineer should compare these costs with possible savings in production due to increased automation, before deciding to go ahead with putting robots on the assembly line.

Computing

Xenix and Logica

LOGICA, THE UK software and systems house, has announced a version of the Xenix operating system for personal computers. Xenix is derived from the AT&T-developed Unix multi-user operating system.

The new product is a revised version of Xenix 3 and is for use on the IBM XT personal computer and the Apple Lisa 2. It provides users of these machines with comprehensive multi-tasking, multi-user operation and includes networking facilities. More on 01-637 9111.

Control

Power switching

AN OPTICAL fibre cable is part of a system to control heating, lighting, cooling and other equipment which has to be turned on and off in a building. EnerTrol based in Petersfield, Hampshire has developed a system which can control up to 32 different circuits at seven locations up to two kilometres apart.

The company's system is based on a central timer which sends control signals to each item of equipment. Potential users of the system include hotels, conference centres, sports and eisure centres, hospitals and office buildings. More details from the company on 0730 68531.

Communication

Computer modems

AS THE number of computer systems grow, so is there increasing demand for equipment which allows communications between machines. Modems which translate the computer digits into tones which can be transmitted over the telephone line is an example.

Paradyne, a manufacturer of high speed modems has introduced a unit which can transmit data at a speed of 19,200 bits a second over voice circuits. It can be used with a variety of computers and network arrangements.

Telecoms

Radio pagers

BRITISH TELECOM Radiopaging is providing a pocket unit for its paging services with a 20 digit display, allowing users to receive additional information — an extension number as well as a main telephone number to ring for example, or an international phone number.

In a further enhancement, callers wishing to activate a particular pager now have the option of doing so directly by Telex or through the Datel data communication services. Previously, messages to a pager could only be transmitted by a central bureau. Callers contacted the bureau and gave the operator the number of the pager to be called and the message to be sent.

Quarterly charges are reduced by £9 for the direct connection service.

Office Equipment

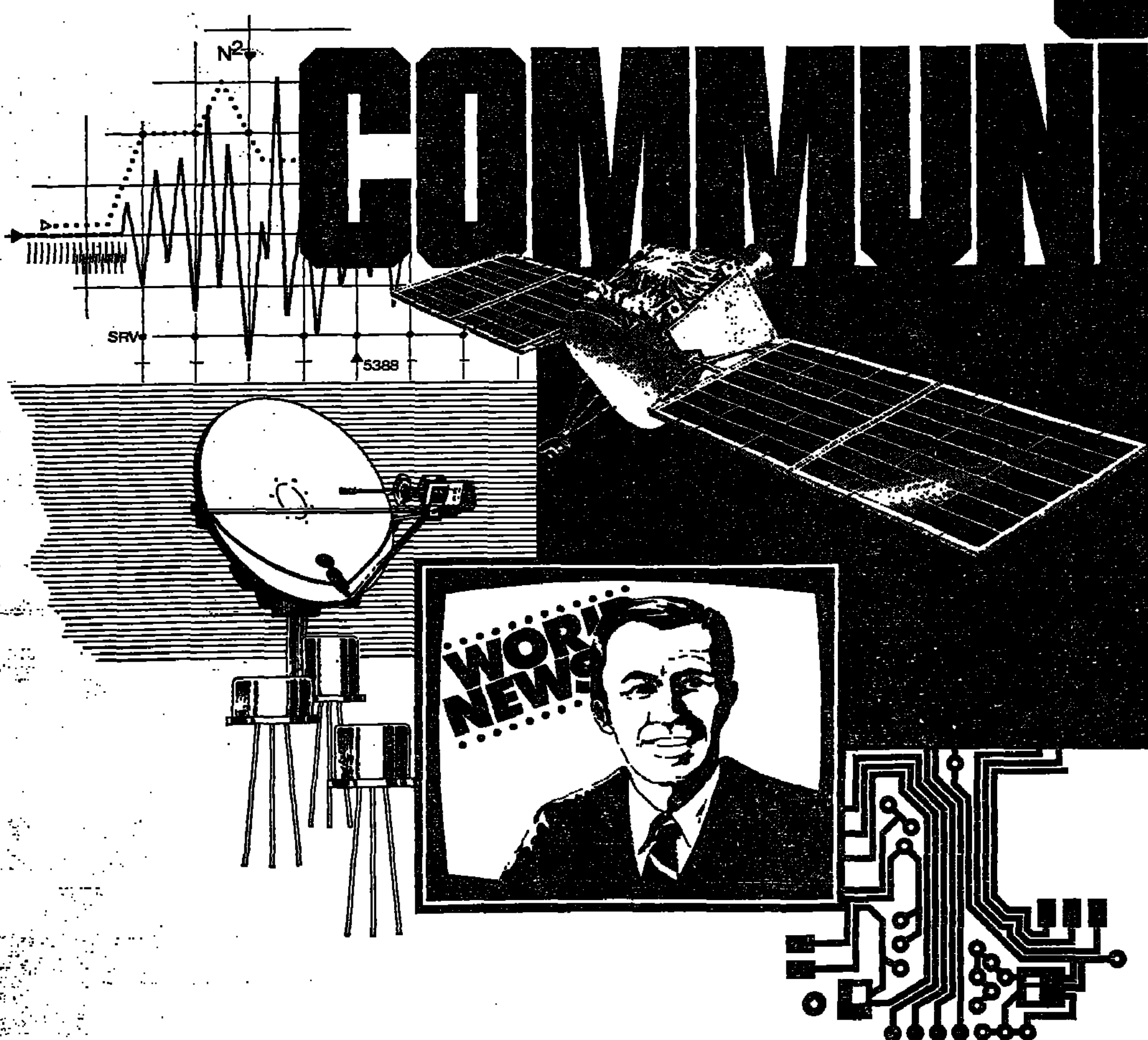
Electronic typewriters

SILVER REED, the Japanese based electronic typewriter company has introduced the EX66 memory machine into the UK. In basic form it allows four or five pages of text to be stored and re-called for editing. Optionally, a similar amount of semiconductor memory can be added.

The machine has a 20 character liquid crystal display the viewing angle of which can be varied to suit the user. Printing is bi-directional at 20 characters per second.

Among the facilities provided are centring, correction, underlining, bold print, justification and proportional spacing. By adding an interface printed circuit board, the EX66 can act as a printer for connection to computers. An optional disk drive produces storage for another 40 or 50 pages. More on 0923 45976.

SATELLITE COMMUNICATIONS



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Today, the results of Hitachi research are in use all around you. Attitude control systems that keep communications satellites pointed in the right direction once they're in orbit. Rocket-borne measuring apparatus. Earth stations by the dozen to record and analyse satellite-gathered geological and environmental data.

Our aerospace and communications specialists are working with the space authorities of Europe, Asia and North America to improve basic satellite technologies. They are creating new tracking facilities, integrating data-processing procedures and increasing satellite utility.

In fact, we are constantly coming up with innovations and new applications. Most recently: An inexpensive parabolic antenna/tuner system for home televisions, ready to receive super-high-frequency (12 gigahertz) satellite signals and give you access to the world's newest digital broadcast medium.

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WE BELIEVE ALL NATIONS CAN BE UNITED THROUGH SATELLITE COMMUNICATIONS

Closing prices, September 14

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	13¾	AAR	.48	2.2	23	274	22⅛	21¾	22¼	-⅛
22	13½	AMCA	n 1	6.3		5	15¼	15⅛	15¼	+⅛
18⅝	13¾	AMF	.50	2.9	155	1401	17⅝	17	17	-¼
41¼	24¼	AMR			4	5726	28¼	27½	27¾	-¼
20⅝	18	AMR	pf2.18	11		54	19⅝	19½	19½	+½
41½	27½	AMR	pf2.13	7.1		365	30⅛	29⅞	29⅞	-⅛
16⅛	8½	APL				57	10	9⅞	10	
65¾	40⅝	ARA	2.10	3.2	13	2237	u65½	65	65	
69⅞	44⅞	ASA	3a	5.7		528	52⅞	51⅞	52⅞	+⅞
30¼	16½	AVX	.32	1.3	16	279	25¼	23½	24¾	+1½
52⅞	38¼	AbtLab	1.20	2.6	15	2319	47	46¼	46⅝	-¼
35⅛	23¾	AccoWd	.66	1.9	20	187	34½	32½	34½	+1
27¼	12½	AcmeC	.40	2.5		212	16¼	15¾	15¾	
12½	8¼	AcmeE	.32b	3.5	15	11	9¼	9	9¼	+¼
24⅞	11	AdmDg	.04	.2	9	40	16¾	16½	16½	+½
19¼	15	AdaEx	2.11e	13		71	16⅝	16⅜	16½	+¼
18⅝	11⅞	AdmMl	.28	1.9	10	59	14⅞	14⅞	14⅞	+½
22	13½	AdvSys	.81t	4.6	17	243	17⅞	17⅝	17⅞	
41½	25¼	AMD			23	6999	40	39	39⅝	+¾
16¼	7¾	Advest	.12	1.2		160	10⅛	9¾	9⅞	-⅛
20	9⅞	Aeflex			11	370	12¼	11¾	12	-¼
39	27¾	AetnLf	2.64	7.4	33	2412	35⅞	35¼	35¾	+1
82½	63¼	AetnL	pf 2	2.5		1	78½	78½	78½	+⅛
58⅞	54	AetL	pf5.79e	10		100	55⅛	55⅛	55⅛	-⅛
34½	15¾	Ahmns	1.20	5.1	6	10317	24	22⅞	23¾	+1¼
5¾	2⅞	Aileen				69	3¼	3⅛	3⅛	
51	36½	AirPrd	1	2.2	10	1210	46¼	45⅝	45¾	+½
30⅞	13	AirbFrt	.60	3.4	10	324	17⅞	17½	17⅞	+⅞
3⅞	1¾	AlaMoa	.50e	15		84	3⅛	3¼	3⅜	

[illegible]

Continued on Page 23

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, September 14

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 24

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 22

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
54⅝	42½	Wolw	pf2.20	4.2		2	52⅝	52⅝	52⅝	+1⅝
5⅝	3⅝	WrldAr				24	3⅞	3¾	3¾	+⅛
60	45	Wrigly	1.80a	3.1	11	46	58¼	57¾	58	+⅛
8⅝	3⅞	Wurltzr			93	24	4⅞	4⅝	4⅝	
25¼	10¼	WyleLb	.32	2.0	10	83	15⅞	15¾	15⅞	+⅛
21	16½	Wynns	.60	3.3	10	354	18¼	17½	18¼	+⅛

X—Y—Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52⅞	33¼	Xerox	3	7.8	10	3882	38½	38	38¼	+⅛
51⅛	45¼	Xerox	pf5.45	11		1	47½	47½	47½	−⅛
37	19	XTRA	.64	2.4	9	100	26¼	25¾	26¼	−¼
34	24	ZaleCp	1.32	4.9	9	151	27½	26¾	27¼	+½
24⅞	15¼	Zapata	.84	3.9	15	1603	21½	21⅛	21⅜	+⅜
48	28¾	Zayre	.40b	.9	13	924	46⅝	46	46⅝	+½
38⅛	20	ZenithE			9	2367	25	24¼	24⅝	−⅛
27⅞	18	Zero	s .36	1.5	18	110	24⅝	24⅝	24⅝	−⅛
34	21⅛	Zurnin	1.32	5.1	13	70	25¾	25⅝	25¾	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

ENERGY REVIEW
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WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, closing prices, September 14

Continued on Page 25

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 23

CANADA

TORONTO

Closing prices September 14

MONTREAL

Closing prices September 14

BELGIUM/LUXEMBOURG

1984 High	Low	Sept. 14	Price Frs.
1,875	1,220	ARBED.	1,705
5,400	4,965	Banq Int A Lux	5,400
4,660	3,105	Bekaert B.	4,660
2,760	2,010	Ciment CBR.	2,725
328	176	Cockerill.	299
5,850	4,750	Delhaize.	5,670
2,650	2,290	EBES	2,850
7,970	5,850	Electrobel	7,940
2,425	1,800	Fabrique Nat	2,090
3,595	3,060	GB Inno BM.	3,355
2,800	2,120	GBL (Brux)	2,395
3,660	2,970	Gevaert	3,600
6,480	4,360	Hoboken.	5,940
3,000	1,805	Intercom	2,260
7,600	6,280	Kredietbank.	7,600
10,000	8,950	Pan Hldgs	9,800
8,210	6,010	Petrofina	7,610
9,580	7,320	Royale Belge	9,400
3,500	2,886	Soc. Gen. Banq	3,285
1,940	1,600	Soc Gen. Belge	1,910
7,090	5,190	Sofina	7,050
4,445	3,430	Solvay	4,445
4,300	3,125	Traction el	4,160
5,480	3,795	UCB	5,480
4,950	3,700	Vielle Mont	4,650

FRANCE

1984 High	Low	Sept. 14	Price Frs.
1,999	1,670	Emprunt 4½% 1973	1,720
10,020	9,017	Emprunt 7% 1973	9,020
3,969	3,320	CNE 3%	3,685
578	497	Air Liquide	550

AUSTRALIA

ITALY

GERMANY

1984 High	Low	Sept. 14	Price Dm
1,370	910	Muench Rueck	1,200
288	216.5	Preussag	251
188.6	152.5	Rhein West Elect	164
291	227.5	Rosenthal	243
386.5	317	Schering	381.3
417.9	353.5	Siemens	411.7
94.6	69.3	Thyssen	81.3
190	160	Varta	177.8
186	159.5	Veba	167
127.9	108.5	V.E.W	119.5
335	285	Verein-West	294
231.8	163	Volkswagen	170.8

NORWAY

1984 High	Low	Sept. 14	Price Kroner
190	141	Bergens Bank	160
340	215	Borregaard	300
190	146.5	Cristiania Bk	150
188.5	145	Den Norsk Credit	148
187.5	115	Elkem	125
347	252	Norsk Data	325
687.5	512.5	Norsk Hydro	637.5
272.5	186	Storebrand	201

NETHERLANDS

1984 High	Low	Sept. 14	Price Fls
215	183	ACF Holding	185
146	107	AEGON	119.5
236	168.5	Alhold	199.5
123.2	77	AKZO	94.4
445	202	ABN	301
139	130.1	Rodamco	135
67.4	56.3	Rolinco	64
206.1	198	Rorento	206.1
175.3	136.2	Royal Dutch	175.3
282	232.5	Unilever	282
130.8	90	VMF Storv.	129.8
169.5	137	VNU	169.5
145.5	72.9	West Utr Bank	92

AUSTRIA

1984 High	Low	Sept. 14	Price %
222	205	Credit'stalt Pfd.	208
342	318	Goesser	321
410	397	Interunfall	400
216	203	Laenderbank	210
369	300	Perlmooser	341
162	139	Steyer-Daimler.	150
224	206	Veitscher Mag	224

DENMARK

1984 High	Low	Sept. 14	Price Knr. %
480	325	Aarhus Olie	435
362	216	Andelsbanken	237
720	510	Baltic Skand	545
350	207	CopHandelsbank	249
850	590	D. Sukkerfab	625
335	205	Danske Bank	242
218	165	East Asiatic	173
1,250	850	Forenede Brygg.	856
153	65	Forenede Damp.	65
700	415	GNT Hldg	415
725	405	I.S.S.B.	405
760	443	Jyske Bank	450
(5,150	1,905	Novo Ind.	1,995
372	205	Privatbanken	221
370	283	Provinsbanken	307
300	200	Smidth (F)	205
1,375	935	Sophus Berend	936
586	438	Superfos	445

SWEDEN

1984 High	Low	Sept. 14	Price Kronor
400	330	AGA	360
302	205	Alfa-Laval	218
480	380	ASEA (Free)	395
590	355	Astra	465
141	105	Atlas Copco	108
455	360	Boliden	375
531	290	Cardo (Free)	297
192	120	Cellulosa	124
288	238	Electrolux B	245
390	297	Ericsson	360
370	275	Esselte	310
578	230	Mo Och Domsjo	309
247	153	Pharmacia (Free)	214
600	310	Saab-Scania	540
425	310	Sandvik	405
445	340	Skandia	340
76	55	Skan Enskilda	58.5
222	160	SKF	166
790	652	St. Kopparbergs	700
237	171	Sven Handelsbn.	190
302	220	Swedish Match	277
256	231	Volvo B (Free)	239

SINGAPORE

SWITZERLAND

SOUTH AFRICA

SPAIN

1984 High	Low	Sept. 14	Price Pta %
346	267	Bco Santander	326
425	314	Bco Vizcayo.	412
181	120	Dragados	176
74	41.7	Hidrola	73.2
78.5	40.5	Iberduero	77
172.5	102	Petroleos	163
99	69.7	Telefonica	98.5

HONG KONG

1984 High	Low	Sept. 14	Price H.k.$
29.7	17.8	Bank East Asia	20
10.6	6.15	Cheung Kong	7.95
14.6	9.95	China Light	12.4
2.97	1.85	Hang Lung Devel	2.3
47.0	25.9	Hang Seng Bank	32.75
7.4	5.05	HK Electric	5.9
4.7	2.75	HK Kowloon Wh.	3.8
4.3	2.05	HK Land	2.11
7.76	5.2	HK Shanghai Bk.	6.5
49	35.5	HK Telephone	44
15.5	8.4	Hutchison Wpa.	11.6
14.3	5.5	Jardine Math.	8.6
4.02	2.26	New World Dev	3.27
2.87	1.95	Orient O'seas	2.57
4.0	2.02	O'seas Trust Bnk	2.57
6.3	4.12	SHK Props.	6.3
21.0	12.9	Swire Pac A.	17.3
4.2	2.65	Wheel'k Mard A.	3.72
2.3	1.84	Wheel'k Maritime	1.9
2.6	1.46	World Int. H'ldgs	2.15

JAPAN

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 24

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

NEW YORK — Indices

DOW JONES

	Sept. 14	Sept. 13	Sept. 12	Sept. 11	Sept. 10	1984 High	1984 Low	Since Compil'n High	Since Compil'n Low
●Industri'ls	1237.52	1228.25	1200.31	1197.89	1202.52	1286.64 (6/1)	1086.57 (24/7)	1287.7 (19/11/83)	41.22 (2/7/32)
H'me Bnds	68.94	68.88	68.50	68.56	68.41	71.75 (6/2)	64.83 (25/6)	—	—
Transport.	526.52	525.45	513.21	510.65	507.30	612.63 (9/1)	444.05 (25/7)	612.63 (19/1/84)	12.32 (8/7/32)
Utilities	132.80	131.00	129.36	128.80	128.54	134.83 (8/1)	122.25 (15/6)	163.72 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	187,580	110,420	77,980	101,360	74,410	—	—	—	—

●Day's high 1246.23 (1232.11) low 1227.92 (1196.00)

	Sept. 7	Aug. 31	Aug. 24	Year ago (approx)
Industrial div. yield %	4.79	4.72	4.67	4.48

STANDARD AND POORS

	Sept. 14	Sept. 13	Sept. 12	Sept. 11	Sept. 10	1984 High	1984 Low	Since Compil'n High	Since Compil'n Low
Indust'ls	191.15	190.40	186.74	186.70	186.59	181.15 (14/9)	167.74 (24/7)	194.24 (10/10/83)	3.62 (30/6/32)
Comp's'te	168.78	167.94	164.68	164.45	164.26	169.28 (6/1)	147.82 (24/7)	172.15 (10/10/83)	4.40 (1/6/32)

	Sept. 12	Sept. 6	Aug. 29	Year ago (approx)
Industrial div. yield	3.97	3.97	3.91	3.95
Industrial P/E ratio	10.69	10.71	11.83	14.35
Long Gov. Bond yield	12.30	12.72	12.64	11.59

N.Y.S.E. ALL COMMON

Sept. 14	Sept. 13	Sept. 12	Sept. 11	1984 High	1984 Low
97.05	96.48	94.81	94.76	97.71 (6/1)	85.15 (24/7)

Rises and Falls

	Sept. 14	Sep. 13	Sept. 12
Issues Traded	1,997	1,980	1,966
Rises	1,129	1,197	687
Falls	501	419	776
Unchanged	367	364	403
New Highs	85	49	33
New Lows	7	8	11

TORONTO

	Sept. 14	Sept. 13	Sept. 12	Sept. 11	1984 High	1984 Low
Metals & Minerals	2026.2	1995.2	1939.9	1926.4	2524.4 (12/1)	1641.2 (25/7)
Composite	2597.18	2576.4	2540.1	2545.1	2585.7 (6/1)	2079.7 (24/7)
MONTREAL Portfolio	116.78	117.50	116.11	115.20	127.83 (10/1)	100.36 (24/7)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Comw. Edison	2,077,300	25⅞	+⅜	Am. Tel. & Tel.	1,414,100	19⅝	−⅛
Amer. Express	1,687,100	34⅞	+⅜	Fin. Cp. Am.	1,303,500	7⅞	+¼
Caterpillar	1,632,000	34½	−4⅞	Ford Motor	1,297,800	45⅝	+⅜
Citicorp	1,556,300	38	+⅜	Contl. Data	1,260,300	29⅞	−⅜
IBM	1,447,000	125¾	+⅛	Exxon	1,258,800	44⅛	−⅛

Indices

	Sept. 14	Sept. 13	Sept. 12	Sept. 11	1984 High	1984 Low
AUSTRALIA All Ord. (1/1/80)	728.1	718.8	718.1	714.4	737.3 (5/1)	646.3 (18/6)
Metal & Mins. (1/1/80)	435.8	430.7	430.0	425.6	567.4 (5/1)	404.9 (24/7)
AUSTRIA Credit Aktien (2/1/62)	54.25	54.04	53.84	53.64	56.21 (2/1)	53.20 (15/6)
BELGIUM Belgian SE (31/12/63)	165.58	161.60	161.25	160.44	163.38 (14/9)	135.29 (4/1)
DENMARK Copenhagen SE (3/1/83)	176.46	176.78	177.22	177.14	225.21 (20/1)	178.18 (13/9)
FRANCE CAC General (31/12/82)	175.5	174.1	173.3	172.9	181.7 (5/9)	155.5 (5/1)
Ind Tendance (30/12/83)	114.1	113.4	113.0	112.7	116.0 (3/9)	99.4 (5/1)
GERMANY FAZ Aktien (31/12/58)	355.24	352.83	349.20	345.07	370.84 (2/2)	317.17 (25/7)
Commerzbank (1/12/53)	1031.1	1024.2	1016.2	1004.4	1086.5 (2/2)	917.7 (25/7)
HONG KONG Hang Seng Bank (31/7/64)	945.44	911.78	932.40	(c)	1170.85 (19/3)	746.02 (13/7)
ITALY Banca Comm Ital. (1972)	210.46	210.94	211.48	212.32	229.57 (1/3)	192.06 (2/1)
JAPAN** Nikkei-Dow (16/5/49)	10621.54	10579.8	10533.5	10495.1	11,190.17 (5/5)	9703.35 (22/7)
Tokyo SE New (4/1/68)	820.53	815.60	810.74	807.73	874.62 (7/4)	720.49 (4/1)
NETHERLANDS ANP-CBS General (1970)	170.8	168.3	166.6	165.2	178.8 (1/2)	146.8 (24/7)
ANP-CBS Indust (1970)	134.5	132.5	131.7	130.7	147.2 (1/2)	110.1 (10/8)
NORWAY Oslo SE (4/1/83)	265.21	261.34	261.23	261.25	296.78 (9/5)	221.67 (4/1)
SINGAPORE Straits Times (1966)	808.21	808.59	905.53	907.17	1071.91 (2/1)	867.25 (12/7)
SOUTH AFRICA Gold (1958)	915.5	912.4	911.4	933.1	1075.5 (5/1)	715.1 (24/1)
Industrial (1958)	886.2	883.5	876.5	890.6	1105.9 (26/3)	852.2 (7/6)
SPAIN Madrid SE (30/12/83)	145.09	145.36	145.74	145.18	145.83 (13/9)	101.82 (5/1)
SWEDEN Jacobson & P. (1/1/58)	1478.14	1477.05	1462.15	1446.17	1634.5 (3/2)	1,388.09 (23/5)
SWITZERLAND SwissBank Cpn. (31/12/58)	378.8	357.7	375.6	376.9	383.5 (3/1)	354.5 (25/7)
WORLD Capital Intl. (1/1/70)	—	—	185.6	181.4	190.5 (3/1)	164 (24/7)

** Saturday September 8: Japan Nikkei-Dow (c). TSE (c). Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

International Property Review

Every Friday the Financial Times publishes a detailed review of the activities in the UK and international property markets.

Specialist FT writers look at the background to the week's headline making news, profile leading personalities and examine trends in the property development market.

Notice to bondholders

Alcan Australia Limited

8½% Bonds due 1989

NOTICE IS HEREBY GIVEN that, pursuant to paragraph 4 (a) of the terms and conditions of the bonds U.S.$750,000.- principal amount thereof have been purchased by Swiss Bank Corporation, Zurich, as purchase agent during the year September 1st, 1983, to August 31st, 1984.

U.S.$20,500,000.- nominal bonds will remain outstanding after August 31st, 1984.

Alcan Australia Limited
by Swiss Bank Corporation (Luxembourg) Ltd.
Luxembourg as Principal Paying Agent
September — 1984

This announcement appears as a matter of record only.

NEW ISSUE — 6th September, 1984

U.S.$30,000,000

OPTEC DAI-ICHI DENKO CO., LTD.
(Dai-Ichi Denko Kabushiki Kaisha)

3-3/4 per cent. Convertible Bonds due 1999

ISSUE PRICE 100 PER CENT.

Yamaichi International (Europe) Limited

Banca del Gottardo — Banque Indosuez
Banque Nationale de Paris — Bayerische Landesbank Girozentrale
James Capel & Co. — Handelsbank N.W. (Overseas) Ltd.
Mitsubishi Finance International Limited — Mitsubishi Trust & Banking Corporation (Europe) S.A.
Morgan Stanley International — Nippon Kangyo Kakumaru (Europe) Limited
Wako International (Europe) Ltd.

Bank of Tokyo International Limited — Bank of Yokohama (Europe) S.A. — Daiwa Europe Limited
IBJ International Limited — Kokusai Securities Co., Ltd. — Kyowa Bank Nederland N.V.
LTCB International Limited — Mitsui Finance Europe Limited — New Japan Securities Europe Limited
The Nikko Securities Co., (Europe) Ltd. — Nomura International Limited — Okasan International (Europe) Limited
Osakaya International (Europe) Limited — Sanyo International Limited — The Taiyo Kobe Bank (Luxembourg) S.A.
Tokai International Limited — Yamatane Securities (Europe) Ltd.

East Daggafontein Mines, Limited

Interim report

30 June 1984

	Group six months ended 30 June 1984 R000	Company six months ended 30 June 1983 R000	Company year ended 31 December 1983 R000
Revenue			
Royalties	177	1 048	1 040
Interest received	970	133	285
	1 147	1 181	1 325
Expenditure	442	269	598
Income before taxation	705	912	727
Taxation—estimated	363	513	351
Income after taxation	342	399	376

Results for the half year

At the end of May 1984 the company exercised its right to acquire the entire issued share capitals of TG Exploration (Proprietary) Limited (TG) and Juno Exploration (Proprietary) Limited (Juno) and increased the share capital of TG by R12,5 million. TG is to be renamed ED Exploration (Proprietary) Limited and steps have been taken to implement this change. Operating results of these two exploration companies for the month of June 1984 are included in the foregoing group figures, which figures are therefore not directly comparable with the 1983 figures for the company.

Income from the tributing agreements with the Grootvlei Proprietary Mines Limited and Marievale Consolidated Mines Limited was lower than the corresponding six months in 1983. However, as a result of the proceeds of the rights issue in February 1984, interest income is higher.

The company has advanced R425 000 to Spring Dagga Gold Mines Limited, being its share of shareholder funding of that company's operations since 31 October 1983.

Due to the exploration expenditure expected to be incurred by TG and to the uncertainty of the income from the tributing agreements, it is unlikely that the second six months of the financial year will show a profit of any significance.

East Rand Gold and Uranium Company Limited (Ergo)

Capital expenditure incurred by Ergo on the Daggafontein Division during the six months ended June 1984 amounted to R2,882 million which was spent mainly on land purchases and plant design work which is proceeding as planned. Total capital expenditure incurred on the Daggafontain project to 30 June 1984 was R3,509 million.

Exploration

With the acquisition of TG and Juno, exploration activities and expenditures have increased significantly with the major emphasis on gold. The company and its subsidiaries continued to participate in various gold exploration projects in the Transvaal and Orange Free State managed by the Johannesburg Consolidated Investment Company Limited. Prospecting of some 6 000 hectares in the Eastern Transvaal is being conducted in a joint venture with Anglo American Prospecting Services (Proprietary) Limited and is managed by TG. In addition, certain strategically situated mineral rights in the district of Klerksdorp, Transvaal have been purchased for R200 000. Although it is not anticipated that these mineral rights will be exploited in the near future, your directors are of the opinion that they could be of significant value in the longer term.

The company has embarked on a gold exploration project in the state of Bahia, Brazil, where it has secured approximately 16 000 hectares under option. It has subsequently entered into a joint venture with a foreign group in terms of which that group will earn a 50% interest in the joint venture upon the expenditure of Canadian Dollars 300 000.

On behalf of the board

A. H. Lundin – *Chairman*
C. I. von Christierson – *Director*

19 Girton Road
Parktown
2193
Johannesburg

14 September 1984

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,519

ACROSS

1 Make fun of a noble—that's coarse (6)
4 Useful sounding headgear, but there's a disadvantage (8)
9 European accepts it is refined (6)
10 Excitable pets made a headlong rush (8)
12 Way a German chap starts keeping them (8)
13 Table a programme of action (6)
15 Some protégé! Really is a bore (4)
16 There's a rich person at one plastic organisation (10)
19 ". . . all-dissolving — of the intellect in religious enquiries" (Newman) (10)
20 Alumnus with degree returns to pulpit (4)
23 River retreat in New Jersey (6)
25 Played back maybe (8)
27 Vile males have time to make up story you hear (8)
28 Fata Morgana for example causes motorway madness (6)
29 Sailor with touch they say to produce salt (8)
30 Aim to get fashionable shelter (6)

DOWN

1 Reset poser—it provokes sharp reply (7)
2 Pavilion in Kent (9)
3 Had the continental wine (6)
5 Not even parts of ablution stimulate a singer (4)
6 Four-wheeled cart for politician (8)
7 Fabric obtained by traveller entering church (5)
8 Commander virtually ideal (7)
11 Scotsman—cunning head of state (7)
14 Apprentice in bishopric first discovered out (7)
17 I made time somehow to be present (9)
18 Rook on board makes headline (8)
19 Dismiss exception to this instrument (7)
21 Strange fellows to begin with leftover (7)
22 Entrust sappers with effigy (6)
24 Island in French sea has well-boring tool (5)
26 Effeminate Aussie raised sandpiper (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Management¶
10a, Boulevard Royal, Luxembourg

Fund	Price		Change	Yield
Worldwide Gth Fd	$11.78		+0.03	—

Inv. Adv.: M & G. Inv. Mngt. Ltd., London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Fund	Bid	Offer	Change	Yield
Wren Com. Fund	13.0	13.6	−2.0	5.10
Chinese Fund	59.8	62.3	+0.1	1.70
Precious Metal Fund	123.2	128.5	−0.5	8.30
Vanguard Cmdy Fd.	26.0	26.7	....	2.26
Financial Futures Fd.	54.1	41.8	−7.0	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Fund	Price		Change	Yield
Dynamic Gwth Fd	$9.48		+0.07	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
Mallinhall Ltd				
36 Berkeley Sq, W1X 5DA. 01-499 6634				
M'hall Mny Fd	10.00	10.39	Qtrl	Call
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd.	10.41	10.76	6-mth	Call
7-day Fnd.	10.58	10.93	6-mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.28	10.54	6-mth	Call
7-day Fund	10.69	10.97	6-mth	7-day
Money Mngt. Acct.	10.12	10.52	3-mth	Call
Dollar	10.12	10.37	6-mth	7-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	10.375	10.78	Qtrl	Call
Monthly Inc. Chq. Acc.	10.25	10.74	Mthl	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	10.10	10.58	Mthl	Call
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.25	10.65	Qtrl	Call
Britannia Grp of Investment Companies				
29 Finsbury Circus, EC2M 5QL 01-588 2777				
Cater Allen	10.375	10.883	Mthl	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	10.375	10.88	Mthl	Call
U.S. Dollar	11.0	11.71	Mthl	Call
German Marks	5.0	5.19	Mthl	Call
Swiss Francs	2.0	2.05	Mthl	Call
Japanese Yen	5.00	5.19	Mthl	Call
Choulartons				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	11.00	11.57	Mthl	Call
Co-operative Bank				
78-80 Cornhill EC3 01-626 6543 Ex 464				
Cheque & Save	8.50	8.77	Qtrl	Call
Over £1,000	10.00	10.38	Qtrl	Call
Darlington & Co Ltd				
Darlington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	10.25	10.66	Qtrl	Call
Lombard North Central PLC				
17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	10.75	11.04	Rate	14-day
M & G/Kleinwort Benson				
91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc	10.30	10.85	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq.	10.00	10.38	Qtrl	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB 0708 66966				
High Int. Std Acc.	9.80	10.30	Daily	Call
Premier Acc	9.80	10.30	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	10.516	10.938		Call
Money Acc.	10.75	10.65	Qtrl	Chq/7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	10.25	10.75	Mthl	Call
Over £10,000	10.50	11.02	Mthl	Call

NOTES — Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. @ Yield column shows annualised rates of NAV increase.

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From Leeds to Louisiana we're growing from strength to strength
Plumbing and Heating suppliers in the U.K. and U.S. Agricultural Machinery Engineering. Plastics.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
22Aug 22F	Treas. 15pc 1985	101	16 7	14.73	10 37
22S 22Mar	Exch. 12pc Cnv. '85	101	16.8	11.88	10.05
21N 21My	Treas 3pc 1985	95	16.4	3.16	10.72
15Jan 15Jul	Treas 11½pc 1985	100	8.6	11.43	10.68
3Mar 3Se	Treas 8¾pcCnv '85	98	30.7	8.91	10.77
22May 22N	Exch. 12¼pc 1985	101	16.4	12.11	11.04
25Aug 25Fb	Exch. 11¾pc '86	100	19.7	11.64	10.97
11Oct 11Apr	Treas. 10pcCnv 1986	98	4.9	10.16	11.15
19N 19May	Treas 3pc 1986	91	12.4	3 30	8.90
19Nv 19My	Exch. 10½pc Cv '86	99	12.4	10.61	11.17
12Dec 12Jun	Treas 12pc 1986	101	8 5	11.89	11.30
10Ja 10Jul	Treas 8½pc 1984-86‡‡	95	8.6	8.87	11.08
29Ap 29Oc	Exch. 14pc 1986	104	23.3	13.39	11.46
21May 21N	Exch. 2½pc 1986	87	16.4	2.88	9 20
22Jul 22Jan	Exch. 13¼pc 1987	103½	15.6	12.80	11.45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
F May Aug U	Abbott Labs.	36⅞	10.7	$1.20	—	2 5
—	Ahmanson (H.F.)	17¼	—	$1 20	—	5 3
F My Ag N	Alcoa $1	24½	30.4	$1.20	—	3 8
Mr Jn Se Dc	Allied Corp $1	27¼	21 8	$1.80	—	5.0
My Jly S D	Amax $1	15⅜	8 5	20c	—	1 0
F My Au Nv	Amdahl 5c	992p	11.4	20c	—	1 5
F.M.A.S.	Amer Express $0.60	27¼	3 1	$1.28	—	3 6
F My Au.N.	Amer Medical Int $1	20¼	6.7	60c	—	2 3
May Au No Fb	Amer. Nat. Res. $1	28	10.7	h$1.41	—	3.9
Ap Jy Oc Ja	American T & T. $1	15	27 3	$1.20	—	6 2
My Au N F	Ameritech $1	57¼	—	$6.00	—	8.0
Mar Jn S D	Amfac	19¼	21.8	$1.44	—	5.8
—	AndTech	30p	—	—	—	—
Fb My Au N	Bankamerica $1	14¾	13.8	$1 52	—	8.1
Ap Jly Oc Jan	Bankers N.Y. $10	39½	29.3	$2 45	—	4 8
My Au N Fb	Bell Atlantic $1	60	27 3	$6.40	—	8.2
Fb My Au N	Bellsouth $1	24¾	27.3	$2.60	—	8.1
Mar Jun S D	Beth Steel $8	13⅝	4.11	60c	—	3.4
—	Bowater Inc.	18⅝	—	Q72c	—	3 0
Ja Ap Jly O	Brown'g-Fer. 16⅔c	30	13.6	96c	—	2 5
F My Au N	Brunswick Corpn.	26¼	20.7	80c	—	2 3
Jan Ap Jly O	CPC Intnl. 25c	30½	25.6	$2.20	—	5.5
Oc Ja Ap Jy	Campbell Soup 60c	50	1.4	$2.30	—	3.5
F My Au N	Caterpillar Tractor	31	17.7	$1.50	—	3.7
Fb My Ag Nv	Chase M'htn $12 5	36¼	10 8	$3 65	—	7 7
Ap Jy Oc Ja	Chemical New York	24¼	12 3	$2.36	—	7.5
Mar Jun S D	Chesebrough-Pond's $1	28¼	29.8	$1.92	—	5 1
Mar Jun S D	Chrysler $6¼	24½	12 3	60c	—	1.9
My Au N F	Citicorp $4	29	27.3	$2.06	—	5 5
My Au N F	City Inv. $1 25	31	26 3	$2.00	—	5.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Oct	Apr	Marley	83	13.8	13.2	2.5	5.5	9.3
Feb.	Oct.	Marling Ind. 10p	52½	16.7	d3.0	5.6	3.5	6.2
Dec	June	Marshall L'ey. 'A'	39	30.4	1.2	3.6	4.4	(7.0)
Jan.	July	Marshall's Univ	48	1'82	H1.75	—	5.2	14.4
June	Dec	Do. 7½pcCvCmRedE.Pf		14.5	7½%	—	13.7	—
Nov	May	Martin-Black	229	5'79	—	—	—	—
—		Mathesons 7¼%	£95	30.6	Q7¾%	2.3	18.2	—
Jan.	June	Metal Box £1	334	18.6	15.0	3.0	6.4	5.7
Nov.	June	Metal Closures	168	26.3	6.3	2.3	5.7	(8.8)
—		Metal Sciences 2½p	16	—	—	—	—	—
April	Dec.	Metamec Jentique	18¾	12.12	0.01	—	—	—
July	Jan	MidlandMarts	95	14.5	4.9	1.8	6.0	12.0
Jan	May	Mitchell Cotts	58	12.3	3.62	1.0	8.9	15.4
July	Dec.	Molins Grp 1p	14	9.4	‡‡0.5	2.5	5.1	(8.8)
Jan.	July	Morgan Crucible	162	30.4	†7.5	1.2	6.6	(36.0)
May		Morris (W) Fine Arts	17	—	bg0.25	4.0	2.1	15.6
Jan.	Aug.	Moss (Robt.) 10p	93	4.6	2.5	2.9	3.8	11.3
May	Nov	MMW Computers	290	9.4	6.0	3.0	3.0	16.2
Mar.	Sept.	Nash Inds.	50	13.8	4.0	2.2	11.4	5.8
Oct.	April	Neill&Sp'ncer10p	36	3'83	—	—	—	15.5
Jan	July	Newman Industs	20	12'79	—	—	—	(31.3)
—		Do. 10pc Cn.Cm.Pf.	21	18.6	10%	—	6.8	—
April	Oct.	Nolton	45	22.12	1.0	2.9	3.2	15.8
Jan.	Aug.	Norcros	159	16.7	7.5	2.4	6.7	8.4
Oct.	April	Nu-Swift 5p	65	5.9	—	—	—	12.7
Feb.	Aug.	Oakwood Grp	70	30.1	‡d6.5	—	‡	—
Jan.	June	Office & Elect	163	4.6	7.5	2.8	6.6	7.3
May	Nov	Oriflame Intl SA	775	26.3	Q53c	2.2	5.3	8.6
Jan.	June	Overstone 12½p	27	14.11	Q4.5c	2.2	8.5	5.3
May	Nov.	Oxalid Fin. Cv.	£134	9.4	Q9%	—	6.9	—
—		PCT Grp 10p	155	4.6	bg4.8	♦	4.3	♦
—		PLM 'B' Sk 25	£18¼	—	Q20%	—	4.3	7.3
—		Pacific Sales 10p	45	—	b2.4	2.2	7.6	(6.8)
April	Oct.	Parker Knoll 'A'	157	22.3	8.5	3.0	7.7	5.9
Feb.	Aug.	Pauls	223	2.7	8.5	2.8	5.4	8.1
June	Nov	Pearson	560	30.4	†14.0	3.0	3.6	11.0

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Finance

[illegible]

DAI-ICHI EUROPE LIMITED

For

EQUITIES & BONDS

Durrant House, 8-13, Chiswell Street,
London EC1Y 4TQ
Telephone: 01 588 4872
Telex: 883336 ICHILD

MINES—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Central African							
Jan	June	Falcon Z50c	150	14.5	Q100c	♦	38.9
Nov.	May	Wankie Col. Z$1	10	25.4	—	—	—
October		Zam.Cpr SBD0.24	16	9'80	—	—	—
Australians							
—		ACM 50c	26	—	—	—	—
—		Alliance Explrn. NL	17	—	—	—	—
—		Asia Oil & Minerals	4	—	—	—	—
—		Aust. Consolidated NL	19½	—	—	—	—
—		Austl. Ads. Mng NL	16	—	—	—	—
—		Bamco al Res.	27	—	—	—	—
—		Black Hill Mins	21	—	—	—	—
December		Bond Corp	95	—	Q10c	♦	7.2
Nov.	Apr.	Bougainville Kina	109	11.3	Q16.4c	1.2	9.9
May	Nov	CRA $2	318	11.3	†Q12c	1.5	2.5
—		Carr Boyd 20c	59	—	—	—	—
—		Central Kalgoorlie	25	—	—	—	—
—		Central Pacific	27	—	—	—	—

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

OPTIONS — 3-month call rates

[illegible]

"Recent Issues" and "Rights" Page 18

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

CURRENCIES, MONEY and CAPITAL MARKETS

SOCIETE FINANCIERE POUR LES TELECOMMUNICATIONS ET L'ELECTRONIQUE S.A.

U.S.$50,000,000 Floating Rate Notes 1980-1986
Irrevocably and unconditionally guaranteed by STET—Società Finanziaria Telefonica per Azione

In accordance with the conditions of the Notes notice is hereby given that for the six-month period 17th September 1984 to 18th March 1985 (182 days) the Notes will carry an interest rate of 12⅞% p.a.

Relevant interest payments will be as follows:
Notes of $1,000 U.S.$62.88

CREDIT LYONNAIS (London Branch)
Agent Bank

Notice to Holders of

THE NOMURA SECURITIES CO., LTD.

Warrants to subscribe shares of Common Stock of The Nomura Securities Co., Ltd. issued in conjunction with an issue of US$100,000,000 6¼ per cent Notes due 1988

Pursuant to Clause 3 of the Instrument dated 7th November, 1983, under which the above Warrants were issued, notice is hereby given as follows:
1. On 14th September, 1984 the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of 30th September, 1984 in Japan, at the rate of 0.02 new share for each share held.
2. Accordingly, the subscription price of the Warrants will be adjusted effective immediately after such record date. The subscription price in effect prior to such adjustment is Yen727.00 per share of Common Stock, and the adjusted subscription price is Yen 712.70 per share of Common Stock.

THE NOMURA SECURITIES CO., LTD.
By: The Toyo Trust and Banking Co., Ltd.
as Principal Paying Agent

Dated 17th September, 1984

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers
27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Over-the-Counter Market

FOREIGN EXCHANGES

LONDON / CHICAGO financial futures

[Futures tables (Three-month Eurodollar, Three-month sterling deposit, 20-year 12% notional gilt, Sterling, Deutsche mark, Swiss franc, Japanese yen, U.S. Treasury bonds, U.S. Treasury bills, Certificates of deposit, Three-month Eurodollar, Sterling (IMM)) largely illegible at this scan resolution; legible portion follows]

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4122	—	—	0.4121

Est. volume nil (nil)
Previous day's open int. 427 (427)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	110.10	110.30	109.80	109.45
Dec	110.00	110.40	109.80	109 35
March	110.00	—	—	109.35

Est. volume 807 (898)
Previous day's open int. 1,211 (1,214)

STERLING (IMM) Se per £

	Close	High	Low	Prev
Sep.	12640	1.2740	1.2635	1.2690
Dec.	12665	1.2770	1.2660	1.2725
Mar.	12715	1.2840	1.2710	1.2790
June	12785	1.2935	1.2820	1.2860

GNMA (CBT) 8 per cent $100,000 32nds of 100 per cent

	Close	High	Low	Prev
Sep	66-28	67-12	66-27	66-28
Dec	65-21	67-06	66-19	66-20
Mar	65-30	66-10	65-30	65-26
Jun	65-07	65-17	65-07	65-01
Dec	64-03	64-04	64-03	63-28
Jun	63-11	63-11	63-11	63-03

WEEKLY CHANGE IN WORLD INTEREST RATES

	Sept. 14	change		Sept.14	change
LONDON			**NEW YORK**		
Base rates	10½	Unch 'd	Prime rates	13	Unch' d
7 day interbank	10⅞	+⅛	Federal funds	11 1/16	−⅛
3 mth interbank	10¾	−1/16	3 Mth. Treasury Bills	10.36	−0.16
Treasury Bill Tender	9.9454	−0.1214	6 Mth. Treasury Bills	10.43	−0.20
Band 1 Bills	10½	Unch 'd	3 Mth. C D	11.35	−0.25
Band 2 Bills	10⅜	Unch' d	**FRANKFURT**		
Band 3 Bills	10¼	Unch 'd	Lombard	5.50	Unch 'd
3 Mth. Treasury Bills	9⅞	−¼	One Mth. Interbank	5.675	Unch' d
1 Mth. Bank Bills	10 5/8	+⅛	Three month	5.725	−0.10
3 Mth. Bank Bills	10 7/16	−⅛	**PARIS**		
TOKYO			Intervention Rate	11	Unch 'd
One month Bills	6.40625	+0.125	One Mth. Interbank	11	Unch 'd
Three month Bills	6.34375	+0.0625	Three month	11⅛	Unch 'd
BRUSSELS			**MILAN**		
One month	11⅛	−⅛	One month	17 7/16	Unch 'd
Three month	11	−¼	Three month	17 7/16	Unch 'd
AMSTERDAM			**DUBLIN**		
One month	6 [illegible]	−⅛	One month	12⅝	Unch 'd
Three month	6 [illegible]	[illegible]	Three month	13⅛	Unc 'hd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 10⅞.

Sentiment behind the dollar

... hold long positions in the dollar, and this year will almost certainly prove no different. There are still dealers around who believe the dollar is overvalued and destined for a sharp fall at some time. But no one can predict when, and in the meantime only the foolhardy would argue against the currency.

At the beginning of last week the dollar flirted with the DM 3 level, but seemed to find it too ... currency, and in different circumstances the latest economic figures would appear likely to depress the dollar.

The fast pace of economic growth in the first half of the year has probably slowed significantly, and this is expected to be confirmed by this week's estimate of third-quarter gross national product. A growth rate of around 4 per cent is anticipated, compared with 7.6 per ... large fall of $2.1bn in weekly U.S. M1 money supply, but none of these figures had much impact.

The dollar rose above DM 3 for the first time since exchange rates were floated in February ...

£ in New York

	Sept. 14	Prev. close
Spot	$1.2625-2635	$1.2695-2705
1 month	0.09-0.10 dis	0.10-0.13 dis
3 months	0.33-0.35 dis	0.35-0.39 dis
12 months	2.05-2.15 dis	2.20-2.30 dis

Forward premiums and discounts apply to the U.S. dollar.

THE POUND SPOT AND FORWARD

Sept 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2630-1.2740	1.2650-1.2660	0.07-0.10c dis	−0.81	0.28-0.33dis	−0.96
Canada	N/A	1.6620-1.6630	0.12-0.19c dis	−1.12	0.47-0.60dis	−1.29
Nethlnd.	4.31¼-4.34¼	4.32½-4.33	1.53-1.48c pm	4.17	4.52-4.46 pm	4.15
Belgium	77.01-77.45	77.15-77.25	5-3c pm	0.62	17-13 pm	0.78
Denmark	N/A	13.89-13.90	⅞-1⅛ore dis	−0.63	2⅝-3⅛ dis	−0.89
Ireland	1.2369-1.2438	1.2375-1.2385	0.10-0.26c dis	−1.75	0.51-0.75dis	−2.04
W. Ger.	3.83¼-3.85	3.83½-3.84½	1.54-1.51pf pm	4.76	4.54-4.49 pm	4.70
Portugal	N/A	198.00-198.70	205-580c dis	−23.14	560-1525dis	−21.02
Spain	N/A	215.15-215.35	55-75c dis	−3.62	175-205 dis	−3.53
Italy	2,349¾-2,375½	2,353-2,354	540-585 lire dis	−2.86	1600-1675dis	−2.77
Norway	N/A	10.82-10.83	2⅛-2⅞ore dis	−2.77	7-7⅛ dis	−2.73
France	1.75½-11.81½	11.77¼-11.78¼	0.65-0.35c pm	0.51	1.10-0.60 pm	0.28
Sweden†	N/A	10.82-10.83	2¼-2¾ore dis	−2.77	6⅝-7⅛ dis	−2.58
Japan	310¼-312¼	310½-311	1.12-1.05y pm	4.19	3.32-3.21 pm	4.20
Austria	N/A	26.91-26.96	9¼-7⅞gro pm	3.76	24½-21¾ pm	3.50
Switz.	3.16½-3.18¼	3.16½-3.17	1.35-1.25c pm	4.92	4.08-3.98 pm	5.09

Belgian rate is for convertible francs. Financial franc 77.71-77.81. Six-month forward dollar 0.72-0.77c dis, 12-month 1.85-2.00c dis.

OTHER CURRENCIES

Sept. 14	£	$		£ Note Rates
Argentina Peso	104.12-104.32	82.05-82.14	Austria	26.95-27.25
Australia Dollar	1.5275-1.5295	1.2015-1.2025	Belgium	77.60-78.40
Brazil Cruzeiro	2,748-2,764	2,166-2,177	Denmark	13.87-14.00
Finland Markka	7.8969-7.9189	6.2500-6.2550	France	11.75-11.86
Greek Drachma	150.85-151.85	118.90-119.90	Germany	3.82½-3.85⅛
Hong Kong Dollar	9.92½-9.93	7.8530-7.8560	Italy	2360-2390
Iran Rial	117.04*	91.90*	Japan	310-315
Kuwait Dinar(KD)	0.37750-0.37790	0.29840-0.29855	Netherlands	4.32-4.36
Luxembourg Fr.	77.15-77.25	60.95-61.05	Norway	10.83-10.94
Malaysia Dollar	2.9670-2.9750	2.3480-2.3495	Portugal	195-215
New Zealand Dlr.	2.5845-2.5895	2.0335-2.0365	Spain	210¼-219
Saudi Arab. Riyal	4.4775-4.4825	3.5410-3.5420	Sweden	10.84-10.95
Singapore Dollar	2.7320-2.7400	2.1615-2.1630	Switzerland	3.16¾-3.19¾
Sth African Rand	2.0953-2.1004	1.6585-1.6610	United States	1.26¼-1.28¼
U.A.E. Dirham	4.6450-4.6485	3.6720-3.6730	Yugoslavia	240-265

* Selling rates.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.1958	+0.66	+0.66	±1.5447
Danish Krone	8.14104	8.13506	−0.07	−0.07	±1.6425
German D-Mark	2.24184	2.24596	+0.18	+0.18	±1.0642
French Franc	6.87456	6.89382	+0.28	+0.28	±1.4052
Dutch Guilder	2.52595	2.53037	+0.17	+0.17	±1.4964
Irish Punt	0.72569	0.72483	−0.12	−0.12	±1.6699
Italian Lira	1403.49	1382.70	−1.48	−1.48	±4.1605

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.2655	1.2664	1.2696	1.2730	1.2848
D-Mark	3.84	3.8233	3.7920	3.7544	3.6815
French Franc	11.7825	11.7841	11.8001	11.8429	11.9743
Swiss Franc	3.1676	3.1592	3.1241	3.0847	3.0063
Japanese Yen	310.75	309.65	307.46	304.47	298.90

BANK OF ENGLAND TREASURY BILL TENDER

	Sept.14	Sept. 7		Sept. 14	Sept. 7
Bills on offer	£100m	£100m	Top Accepted rate of discount	9.9473%	10.0876%
Total of applications	£465m	£429.04m	Average rate of discount	9.9464%	10.0668%
Total allocated	£100m	£100m	Average yield	10.20%	10.32%
Minimum accepted bid	£97.520	£97.486	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	77%	19%			

THE DOLLAR SPOT AND FORWARD

Sept 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2630-1.2740	1.2650-1.2660	0.07-0.10c dis	−0.81	0.28-0.33dis	−0.96
Ireland†	1.0217-1.0247	1.0217-1.0225	0.10-0.03c pm	0.76	0.28-0.18 pm	0.89
Canada	1.3137-1.3145	1.3138-1.3143	0.02-0.04c dis	−0.27	0.08-0.11dis	−0.28
Nethlnd.	3.4100-3.4165	3.4155-3.4165	1.54-1.50c pm	5.34	4.54-4.49 pm	5.29
Belgium	60.90-61.05	60.95-61.05	5-3½c pm	0.84	15-13 pm	0.92
Denmark	10.96¼-10.99	10.97-10.99	1¼-¾ore pm	1.09	3¼-2¾ pm	10.93
W. Ger.	3.0150-3.0350	3.0330-3.0340	1.52-1.49pf pm	6.02	4.51-4.46 pm	5.94
Portugal	156.30-157.10	156.60-157.10	150-425c dis	−22.95	400-1150dis	−19.76
Spain	169.60-170.12	169.60-169.80	33-43c pm	2.68	95-115 dis	−2.47
Italy	1858-1870	1860-1870	5.40-5.90 lire dis	−3.64	16-17 dis	−3.55
Norway	8.5500-8.5580	8.5545-8.5555	1.00-1.30ore dis	−1.61	3.00-3.30dis	−1.47
France	9.25¾-9.30¼	9.29¾-9.30¼	0.45-0.35c pm	0.51	0.50-0.10 pm	0.13
Sweden	8.5570-8.5630	8.5570-8.5580	1.00-1.20ore dis	−1.54	3.00-3.20dis	−1.46
Japan	244.70-245.65	245.40-245.50	1.08-1.02y pm	5.09	3.19-3.14 pm	5.16
Austria	21.18-21.27½	21.18-21.22	8.50-8.00gro pm	4.68	25½-23¾ pm	4.59
Switz.	2.4910-2.5070	2.5030-2.5050	1.32-1.28c pm	6.20	3.98-3.92 pm	6.33

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 61.40-61.50.

CURRENCY MOVEMENTS

Sept. 1	Bank of England Index	Morgan Guaranty Changes%
Sterling	77.7	−12.4
U.S. dollar	140.7	+27.2
Canadian dollar	90.1	−3.3
Austrian schilling	111.6	+3.3
Belgian franc	89.0	−10.9
Danish Kroner	76.5	−6.9
Deutsche mark	121.1	+6.0
Swiss franc	140.8	+3.2
Guilder	111.2	+3.0
French franc	64.0	−16.7
Lira	47.1	−13.7
Yen	156.3	+11.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 14	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.788048	0.584393
U.S. $	9	1.00019	0.742589
Canadian $	12.38	*	0.975465
Austria Sch.	4½	21.2660	15.7911
Belgian Fr.	11	60.9091	45.1958
Danish Kr.	7	10.9676	8.13506
D'mark	4½	—	2.24696
Guilder	5	—	2.53037
French Fr.	9½	9.29277	6.89382
Lira	16½	1866.78	1382.70
Yen	5	244.837	182.909
Norwgn Kr.	8	—	6.35025
Spanish Pta.	½	169.881	126.166
Swedish Kr.	9	8.56013	6.35396
Swiss Fr.	4	2.50248	1.85647
Greek Dr'ch	20½	118.983	88.0562
Irish Punt	12¾	0.976271	0.724850

* CS/SDR rate for Sept 12: 1.31883

EXCHANGE CROSS RATES

Sept. 13	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.266	3.840	310.8	11.78	3.168	4.328	2354.	1.663	77.20
U.S. Dollar	0.790	1.	3.034	245.6	9.311	2.505	3.420	1860.	1.314	61.00
Deutschemark	0.260	0.330	1.	80.92	3.068	0.825	1.127	612.1	0.433	20.10
Japanese Yen 1,000	3.218	4.072	12.36	1000.	37.92	10.19	13.93	7574.	5.350	248.4
French Franc 10	0.849	1.074	3.259	263.7	10.	2.688	3.673	1997.	1.411	65.52
Swiss Franc	0.316	0.400	1.212	98.11	3.720	1.	1.366	743.0	0.525	24.37
Dutch Guilder	0.231	0.292	0.887	71.81	2.723	0.732	1.	543.8	0.384	17.84
Italian Lira 1,000	0.425	0.538	1.632	132.0	5.006	1.346	1.839	1000.	0.706	32.80
Canadian Dollar	0.602	0.761	2.310	186.9	7.087	1.905	2.603	1416.	1.	46.44
Belgian Franc 100	1.295	1.639	4.974	402.5	15.26	4.103	5.606	3049.	2.153	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 14	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	10⅝-10⅞	11 [illegible]	10¾-11¼	6 [illegible]	2⅛-2¼	5⅜-5½	11⅛-11⅜	14½-15½	10⅞-11⅜	11-11¼	6⅜-6 [illegible]	11 [illegible]-12 [illegible]
7 days' notice	10⅝-10⅞	11⅜-11½	11⅛-12½	6 [illegible]	2⅛-2⅜	5⅜-5½	11-11⅛	15-16	10⅞-11⅜	11-11¼	6 [illegible]	11¾-12¼
Month	10⅝-10⅞	11½-11⅝	11 [illegible]-11⅞	6 [illegible]	4⅛-4¼	5 [illegible]	11-11⅛	15-15½	10¾-11¼	10⅞-11⅛	6⅜-6½	11⅝-11⅞
Three months	10 [illegible]	11⅝-11⅞	11⅞-12 [illegible]	6¼-6⅜	5 [illegible]	5 [illegible]	11⅝-11⅞	15-15½	10¾-11¼	10⅞-11⅛	6 [illegible]	11¼-11¾
Six months	10 [illegible]	11 [illegible]	12⅛-12 [illegible]	6 [illegible]	5⅛-5¼	5 [illegible]	11 [illegible]	15⅜-15¾	10¾-11¼	10⅞-11⅛	6 [illegible]	11⅝-11⅞
One year	10 [illegible]	12 [illegible]	12⅜-12 [illegible]	6 [illegible]	5⅛-5¼	6⅛-6¼	12 [illegible]-12 [illegible]	15½-16	11¼-11⅜	11-11¼	6½-6⅝	11¾-12

Asian $ (closing rates in Singapore): Short-term 11 7/16-11 9/16 per cent; seven days 11½-11⅝ per cent; one months 11 9/16-11 11/16 per cent; three months 11 13/16-11 15/16 per cent; six months 11 15/16-12 1/16 per cent; one year 12⅛-12¼ per cent. Long-term Eurodollars: two years 12¾-13 per cent; three years 12⅞-13⅛ per cent; four years 13-13¼ per cent; five years 13⅛-13⅜ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days notice.

MONEY MARKETS

London rates continue to ease

Interest rates continued to ease on the London money market last week, in fairly quiet conditions reflecting a general mood of uncertainty about future trends. Sterling was little changed for the most part against the dollar, but weakened late on Friday following news that talks between the National Coal Board and the National Union of Mineworkers had failed to reach agreement. On the other hand the pound was very firm against Continental currencies, including the D-mark, but also weakened on Friday afternoon on disappointment that the lengthy talks between the two sides involved in the pit dispute had failed to produce a settlement.

Earlier in the week the movement of sterling had led to a general feeling that while the currency was only declining against the very strong dollar there was little fear of an increase in London clearing bank base rates. At the same time the pound was at its highest against the D-mark since May, and this produced suggestions that base rates might be cut if sterling remained so strong against Continental currencies.

Longer term rates showed the largest falls, and by the end of the week the yield structure in London was virtually flat at around 10½ per cent, compared with a slightly upward sloping curve on the previous Friday, starting at 10½ per cent for one-month money, and rising to 11⅛ per cent for one-year.

Money market shortages were on a smaller scale than of late, and with the market taking a fairly relaxed view of interest rates, the Bank of England did not provide any early assistance, but kept its dealing rates unchanged when help was provided later in the day.

As indicated by the present level of rates there is considerable uncertainty about the next move. Domestic considerations point towards lower rates, assuming no worsening of the industrial situation and an eventual end to the strikes in the docks and mines, but with U.S. rates at their present level any scope for lower London rates must be limited.

ROYAL DUTCH PETROLEUM COMPANY

(N. V. Koninklijke Nederlandsche Petroleum Maatschappij)
Established at The Hague, The Netherlands

INTERIM DIVIDEND 1984

The Supervisory Board and the Board of Management of the Company have declared on account of the year 1984 an interim dividend amounting to Netherlands Guilders 3.85 per share on its outstanding shares of 10 guilders par value.

17th September 1984 ROYAL DUTCH PETROLEUM COMPANY

IMPORTANT NOTICE FOR DEBENTUREHOLDERS

of

K mart (Australia) Properties Finance Limited

(Incorporated in Bermuda)

7¾% Trust Debentures due December 15, 1984 (the "Debentures") (subject to extension to September 15, 2002)

Further to the Offer to Debentureholders dated May 28, 1984 by Orion Royal Bank Limited, on behalf of G.J. Coles & Coy. Limited, to acquire all the Debentures which on September 15, 1984 were outstanding at a price and on the conditions stated therein, we hereby remind Debentureholders that the Offer Period **commences at 09.00 hours, London time, on September 18, 1984 and ends at 17.00 hours, London time, on September 27, 1984.**

Additional copies of the Offer are available at the addresses stated below:—

Orion Royal Bank Limited,
1 London Wall,
London EC2Y 5JX

Citicorp Bank (Luxembourg) S.A.,
16 Avenue Marie Thérèse,
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September 17, 1984 Orion Royal Bank Limited

U.S.$100,000,000
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Notice is hereby given that the Rate of Interest has been fixed at 12¼% per annum and that the interest payable on the relevant Interest Payment Date, December 12, 1984, against Coupon No. 23 in respect of U.S. $1,000 nominal of the Notes will be U.S.$30.97.

September 12, 1984, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

UNIT TRUST SURVEY

Publication Date: Saturday 13th Oct.
Copy Date: Friday 28th Sept.

The Financial Times proposes to publish a survey on Unit Trusts on the above date. Subjects for discussion will include the growth of overseas portfolios and the trend towards specialist funds.

For further advertising details please contact:
Hugh Sutton
Financial Times, Bracken House,
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World Economy

As unemployment in Western Europe continues to rise and the U.S. economy decelerates, policymakers face a delicate choice between a desire to maintain strict financial policies to combat inflation and the need to keep up the momentum of recovery

Maintaining balance on narrow gauge

By MAX WILKINSON

AS THE U.S. recovery races ahead, trailing behind it an ever more unstable trade deficit, unemployment in Europe continues to rise, with no obvious sign of a general relief.

The major question for the countries of Europe—and for Japan—in the next year will be how to adapt their own policies to the expected slowing of the pace of U.S. growth.

The U.S. has given the world economy a substantial shove which has been particularly beneficial to exports from the third world and Japan. However, there is now an almost universal consensus that the U.S. will not be able to go on piling up foreign debt at the present rate as a price of its high rate of internal expansion.

The instability of the U.S. recovery stems not merely from the immediate effects of the rising trade deficit, as imports are sucked in to satisfy increased domestic demand: The inflow of foreign capital, which balances the current account deficit, is now putting the U.S. among the indebted nations of the world.

This fact, together with the high interest rates resulting from the U.S. federal budget deficit, will put a long-term strain on the U.S. balance of payments. Interest payments to foreign creditors will represent a substantial outflow of dollars from the U.S. as well as contributing to future deficits.

For these reasons, there has been a broad consensus among central bankers and other officials, that the dollar must fall, to enable the U.S. external account to come into better balance. However, as Samuel Brittan argues in this survey, the extent and timing of such a fall are much less certain, than the theoretical grounds for predicting it in general terms.

At the beginning of this year, there was intense discussion in the Paris-based Organisation for Economic Co-operation and Development and among European treasuries about how other countries should respond to a fall in the dollar.

Since then, the dollar has strengthened, the U.S. economy has defied predictions of a marked slowing down in growth, and, as a coup de grace to pessimists, has delivered a comfortably low inflation performance. This unexpectedly good showing for Reaganomics has been great news for the U.S. president's election team, but it has done little to assuage the anxieties of the rest of the world.

The first instalment of the President's deficit — cutting "down payment" combined with the brisk pace of growth has, to be sure, reduced the expected budget deficit this year to "only" $175bn. But the current account deficit continues to expand at an unprecedented rate, while the U.S. continues to pre-empt a substantial slice of the rest of the world's savings.

The U.S. current account deficit is projected to double this year to around $100bn or more than 2¾ per cent of its total output. At the same time, the Bank for International Settlements in Basle has estimated that the net financial flow into the U.S. this year will be equal to about half of the U.S. Government's net borrowing requirement, or to one third of the combined demand for credit from the budget deficit and the corporate sector. As the BIS comments: "By any standards, these are very high ratios indeed."

Self-congratulation

Nevertheless, the much-discussed imbalances of the U.S. recovery have seemed in the short term to be curiously stable. They have even been the subject of self-congratulation by the Reagan administration. Mr Donald Regan, the U.S. Treasury Secretary, has tirelessly explained to his allies that the strong deficit-led U.S. recovery, combined with a high dollar, has helped exporters in other countries, and so spread the benefits of growth.

In one sense at least, the world economy did seem to have settled into a lop-sided sort of stability in the first half of 1984 with high interest rates maintaining the conditions for a matching increase in imports of capital and of goods.

U.S. imports had risen by 30 per cent in the two years up to the first quarter of 1984. In the same period, exports from the less developed countries without oil rose by 26 per cent. Japan's exports rose by nearly 19 per cent (at an annual rate) in the second half of last year, and are projected to rise by a further 12 per cent this year. About two-thirds of the increase in Japanese exports is accounted for by sales to the U.S.

The tripling of Japan's current account surplus to $20.8bn last year, was accompanied by a matching outflow of capital of $21bn. Japan's private savings are equal to eight times the Japanese Government deficit, even though the deficit is quite high by international standards. A large part of the surplus savings was "exported" to the U.S.

Thus the U.S. Government borrowed from Japan's savers to finance a deficit which was too large in relation to U.S. savings. The high rates of interest necessary to attract these savings from abroad, indirectly pushed up the dollar.

The high dollar, naturally, increased the competitiveness of Japanese exports to the U.S. and so enabled the Japanese to share in a U.S. recovery, which their savings had helped to get going.

But there was another effect. The weakness of the Japanese Yen vis a vis the dollar inhibited the Japanese Government from pushing down domestic interest rates. The authorities feared that any widening in the interest rate gap would push the Yen further down and so lay the Japanese

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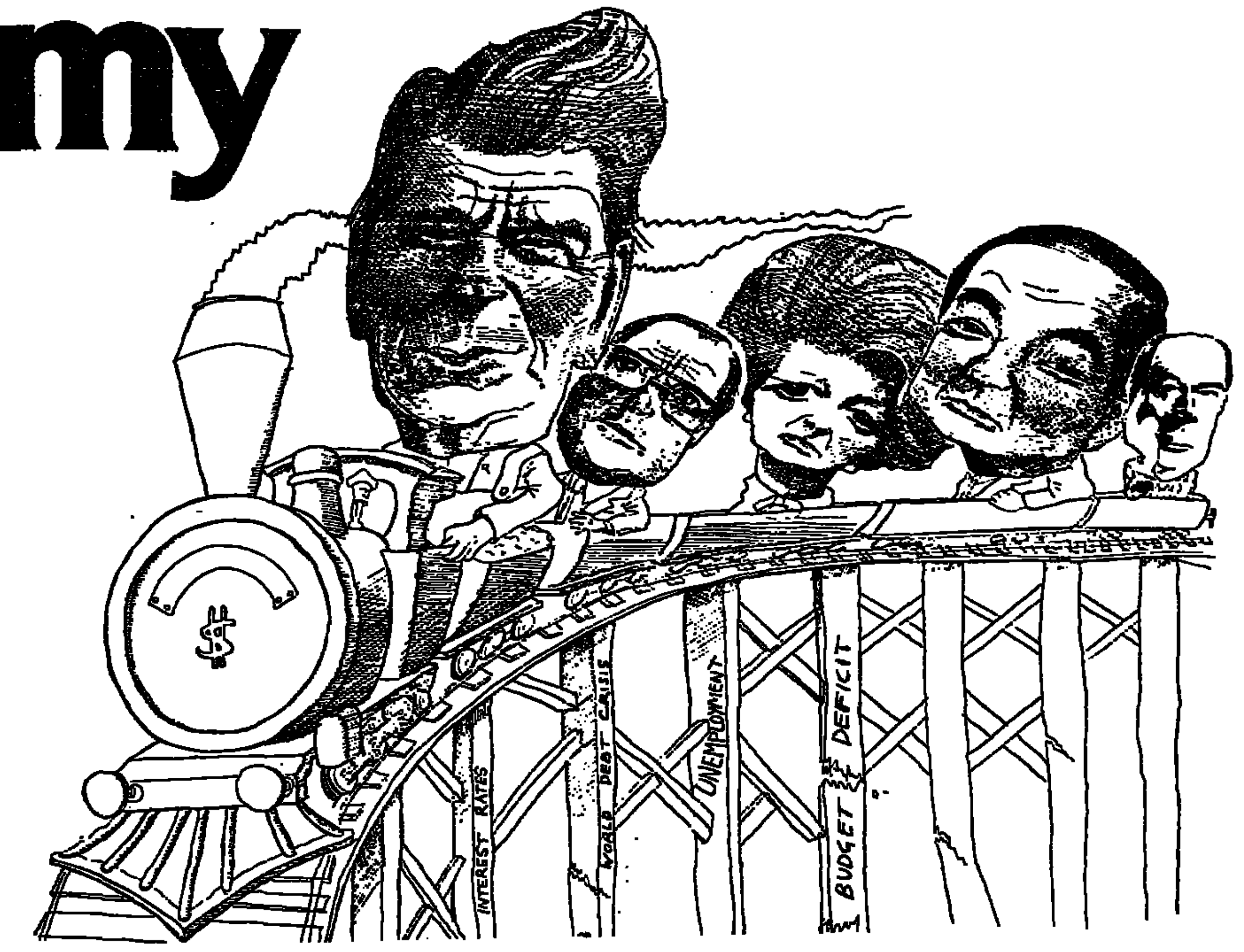

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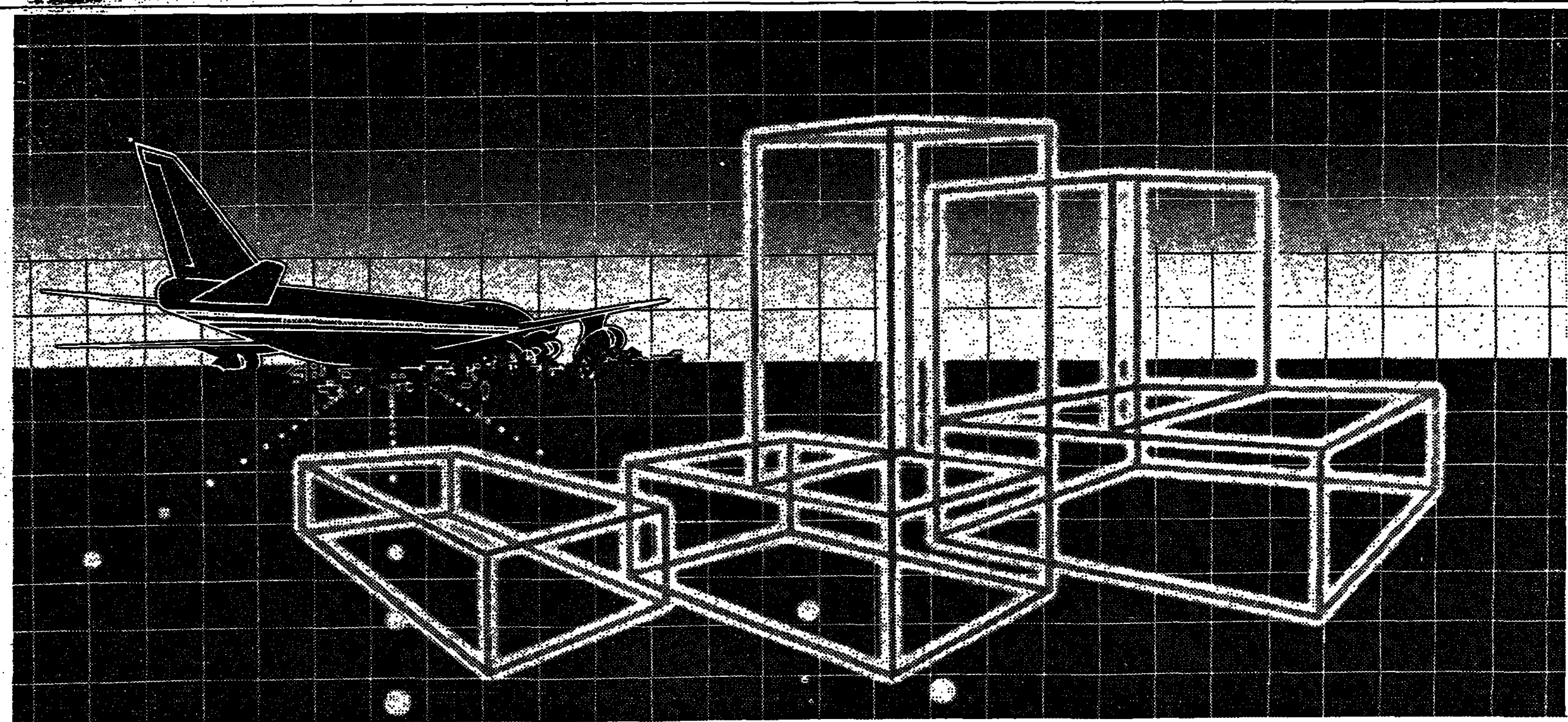

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Loans outstanding 21,476 billion Lire
Net income 142 billion Lire

2,457 billion Lire

Capital : 703 billion Lire
Reserve for stock dividends : 47 billion Lire
Statutory and other reserves : 905 billion Lire
Provisions : 802 billion Lire

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Expansion forecast to continue at a steady pace as . . .

Recovery exceeds expectations

State of the World Economy
MAX WILKINSON

THE recovery of the world's largest economies was stronger than many forecasters had been expecting in the early part of this year, and the prospects for next year are that growth will continue at a fairly steady pace with subdued inflation in most countries.

The main surprise was the continued strength of the U.S. recovery in the first and second quarters of the year in spite of the rise of interest rates from already high levels and the rapid rise of the U.S.'s current account deficit which is expected to double this year to about $90bn.

At the same time, growth in Japan and West Germany was stronger than many people had been expecting, with output rising at an estimated annual rate of 5 per cent in the first half of this year in Japan and 3½ per cent in West Germany. In the UK, also there were signs of steady underlying growth, which would probably have exceeded 3 per cent this year if it had not been for the impact of the miners' strike on coal and steel production.

U.S. output, after growing by 3.7 per cent in 1983, bounded ahead in early 1984, with industrial production 14 per cent higher in the first half compared with a year earlier. However, in spite of the continued rapid pace in U.S. recovery, there were some signs of deceleration. Output grew in the second quarter at an annual rate (after upward revision) of 7½ per cent, compared with 9½ per cent in the first quarter. Moreover, the index of leading indicators showed its first fall for two years in June.

The deceleration of U.S. growth reflected mainly a slower rate in the build-up of stocks. Fixed investment has continued to recover at a healthy pace, in spite of the rise in interest rates in the spring, and the OECD is predicting that the U.S. economy will continue to grow by 3½ per cent for next year as a whole after 7½ per cent this year.

The U.S. recovery has been accompanied by a rapid fall in unemployment from 10.2 per cent of the labour force in the first half of 1983 to an expected 7½ per cent in the second half of this year. During the first six months of 1984, some 3m new jobs were created in the U.S.

This is the most striking contrast with the pattern of recovery in Europe, where the pace of growth has been much slower. The OECD is predicting average growth in Europe of 2½ per cent this year, after 1.3 per cent in 1983, and this is not likely to be vigorous enough to make any dent on unemployment in the area.

The number of people out of work in Europe rose from 17.6m (10.4 per cent of the labour force) in the first half of 1983 to 18.1m (10.6 per cent of the labour force) in the second half, and the OECD expects the total to go on rising to 19½m next year.

Even in West Germany, the strongest of the European economies, the gradual fall in unemployment during 1983 was not sustained in the first half of this year (partly because of the impact of the metal workers' strike). In June 9.3 per cent of the West German workforce was unemployed compared with 9.1 per cent in the fourth quarter of 1983 and 9.4 per cent in the second quarter.

After rapid growth in the first half of the year, the West German economy became bogged down in the strike during the second quarter, but is now expected to resume a fairly healthy rate of expansion.

In West Germany, the UK and Japan, as well as in some of the smaller industrialised countries of Europe, recovery has been pushed ahead by rising consumer demand, which pre-dated the "locomotive" effect of the U.S. economy. In contrast with previous recoveries, the expansion of demand has been associated with fairly restrictive policies in all these countries, although there was some covert easing of fiscal policy in the UK in the run up to the 1983 election.

Strong indraught

However, the European economies are now beginning to feel the effect of the strong indraught of orders from the U.S. even though much the largest proportion of the increased U.S. imports is coming from Japan.

The stimulus from world trade is now being supplemented in most countries by a strong revival of manufacturers' fixed investment, which will be an essential ingredient for the strengthening and persistence of recovery in spite of the evidence of large amounts of under-used capacity.

Last year the volume of world trade (*including oil*) rose by only 1½ per cent to 2 per cent, compared with an annual average rate of growth of 4 per cent over the previous 10 years. The National Institute of Economic and Social Research is now forecasting a rise of 7½ per cent in world trade for this year as a whole with trade in manufactured goods rising by 8½ per cent.

One of the major effects has been that a rise in the U.S. current account deficit has been closely matched by a rapid rise in the Japanese surplus.

The U.S. current account deficit rose from $11.2bn in 1982 to $40.8bn last year and is expected to increase to around $100m this year. The Japanese surplus, meanwhile, rose from $6.9bn in 1982 to $20.8bn last year and an estimated $30.5bn for this year as a whole.

Within Europe, the pattern has been for a progressive improvement in the trade performance of France, West Germany and Italy with a fairly rapid deterioration in Britain's current account surplus from $13.2bn in 1981 to an expected $2.5 (or less if the miners' strike persists) this year.

The OECD expects West Germany's deficit of $5.8bn in 1981 to be transformed into a surplus of as much as $10bn by 1985 as the underlying strength of the economy responds to the increase in world trade. Even France and Italy, which had a combined deficit of $18bn in 1982, are expected to move into balance early next year.

For next year most forecasters are expecting the world economy to continue its recovery with rates of growth more closely in line as a result of a slowing in the U.S. and some speeding up of the average growth rate in Europe. Inflation is expected to remain at about 5 per cent on average with some slight speeding up of the inflation rate in the U.S. and a deceleration in France and Italy.

Maintaining balance on narrow gauge

CONTINUED FROM PREVIOUS PAGE

open to the accusation of unfair promotion of exports.

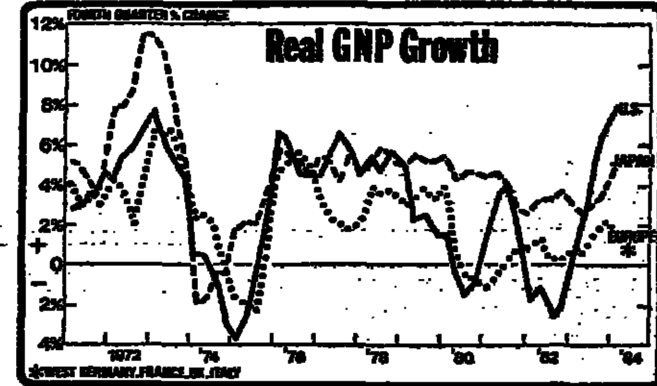
This may have helped to damp down domestic demand in Japan and made the Japanese economy even more dependent on exporting to the U.S. than it would have been without the effect of the U.S. deficits.

This interdependence of the two major Pacific nations is complicated, of course, by a network of flows of capital and goods through the rest of the world. However, so long as U.S. unemployment continued to fall, Japan and the U.S. may be seen as being in an uneasy equilibrium, with Europe, for the time being in a backwater of the world economy.

However, this balance could easily be upset. A slowing down of the U.S. economy could rapidly increase the protectionist barriers against imports from Japan. Alternatively a shift in the preference of savers away from U.S. assets could upset the capital side of the flow, leading to a perhaps sharp depreciation of the dollar. This would tend to raise the U.S. inflation rate and, as a later article in this survey suggests, could put sharp upward pressure on U.S. interest rates.

As the OECD said in its latest Economic Outlook in July, a significant rise in U.S. interest rates could lead to a curtailment of stockbuilding, fixed investment and consumer spending "perhaps to the extent of provoking a sharp cyclical reaction of the sort seen in 1981."

The OECD adds: "The international implications of such a development could be serious: demand would be depressed in the OECD area as a whole, and the precarious financial situation in the heavily indebted countries would be exacerbated."



The graph left shows the rapid pace of recovery of the U.S. economy since 1982, compared with that of Japan and Europe. It also shows the extent of the stagnation in Europe, since 1980 compared with the other two major economies. The pattern is in sharp contrast with the recovery of 1975 which was led by Japan with the European and U.S. economies closely in phase.

General Government Debt Burdens

	Debt as % of GDP			Interest paid as % of GDP			Average real interest rate		
	1975	1980	1983	1975	1980	1983	1975	1980	1983
Belgium	59.8	76.2	105.7	3.6	6.2	9.7	− 5.5	1.5	2.8
Denmark	11.9	33.5	62.2	1.2	3.9	8.0	2.5	2.0	7.4
France	26.8	25.1	32.2	1.3	1.7	2.8	− 5.4	− 5.3	—
Germany	25.0	31.6	39.9	1.4	1.9	3.0	0.4	1.0	4.7
Ireland	73.5	89.0	111.3	5.2	7.9	11.1	−11.4	− 6.7	0.2
Italy	45.3	65.3	82.6	4.0	6.2	9.5	− 9.2	− 8.1	− 1.7
Netherlands	41.4	46.0	63.4	3.0	3.7	6.1	− 2.9	1.3	7.4
UK	71.8	60.0	55.2	4.4	5.2	4.9	−13.8	− 2.9	2.6
Japan	22.5	52.9	66.5	1.2	3.2	4.0†	− 5.3	− 0.2	4.1†
U.S.	44.9	40.1	45.7	2.5	3.3	4.7	− 1.5	− 1.6	7.1

† 1982.
Sources: OECD, European Commission, CSO and Barclays estimates.

Competitivneess

If this combination of a U.S. recession, and high interest rates were accompanied (as seems possible) with a falling dollar which would raise U.S. competitiveness, the outlook for Europe could become chilly.

Even on more optimistic assumptions, the OECD is predicting that the European economies will grow by only 2½ per cent per annum this year and next. This is well below the growth rate in previous recoveries and would not be enough to stop European unemployment from rising.

The OECD is expecting the *number of people out of work* in Europe to rise from 17.8m last year to 19½m next year. Even in West Germany and the UK, where it expects some fall in the proportion unemployed next year, the decline is expected to be very small.

The prospect that unemployment may still be rising—or scarcely falling—as the economic cycle approaches its next peak is dismal indeed. Although high unemployment may have helped to damp down wage demands, it has certainly not helped to curb the high budget deficits which are held by many to be one of the main contributory causes of inflation.

It has, therefore been strongly argued that European countries should be preparing for some concerted easing of monetary policy to compensate for any substantial deceleration of the U.S. locomotive.

Some believe that the Europeans and Japan should prepare a co-ordinated stimulus to demand which could have the general effect of boosting output without the balance of payments and currency risk associated with such a policy for any one country.

However, though it could be argued that West Germany, with a general government deficit scheduled to fall to only 0.4 per cent of output next year, could afford such a policy, the same could not be said of Italy or France.

Both countries have high and rising deficits (12 per cent of output in Italy last year and 3 per cent in France) with comparatively high inflation rates. Even Japan, whose deficit has fallen from 4.8 per cent of output *in 1979* to a projected 2.3 per cent this year, does not seem ready for any fiscal relaxation. Japanese Government debt, at 67 per cent of GNP (Gross National Product), is the second highest among the major industrial countries after Italy's 85 per cent.

With a heavy rescheduling programme over the next few years, the Japanese authorities can hardly be blamed for wanting to keep tight control over their deficits for the time being.

These are major difficulties for anyone proposing a co-ordinated plan for reflation of domestic demand. Yet the BIS, which puts the possible resurgence of inflation as the main danger facing the world economy also says: "The importance of recovery can scarcely be over-emphasised."

This is not just because of the pressing need to create more jobs, but because of the crucial importance of rising world demand to the health of the debtor nations.

Interest burden

The International Monetary Fund said in its World Economic Outlook this spring that even on rather favourable assumptions about the world economy, the interest burden faced by the non-oil debtor countries would rise from 21.6 per cent in 1983 to 24½ per cent in 1987 *before* declining again.

However, a slowing of the world's economic growth rate by 1 percentage point per annum would cause a 30 per cent increase in the developing countries' deficits by 1987 compared with the $60bn deficit forecast on the more optimistic assumptions. The IMF warned that such a deficit could not be financed on the assumptions it made without a severe further cutback in domestic demand by debtor countries.

Nevertheless, in its latest annual report the IMF firmly sets its face against any policy which savours of a "dash for growth," even in those countries which have inflation most firmly under control.

It says: "The process of restoring financial stability is still quite uneven and incomplete, and confidence in its continuation remains fragile in many *countries*."

It adds: "In the countries where the effectiveness of monetary discipline in bringing down inflation and laying the foundation for renewed growth has been most amply demonstrated, prudence in the provision of liquidity in the early phases of recovery will be necessary. The temptation to hold down interest rates by easing monetary policy may be strong for some central banks, but it is to be hoped that it will resisted."

"Failure to apply an adequate degree of restraint during previous cyclical expansions has been one of the prime factors making for rising inflation over much of the past 15 years."

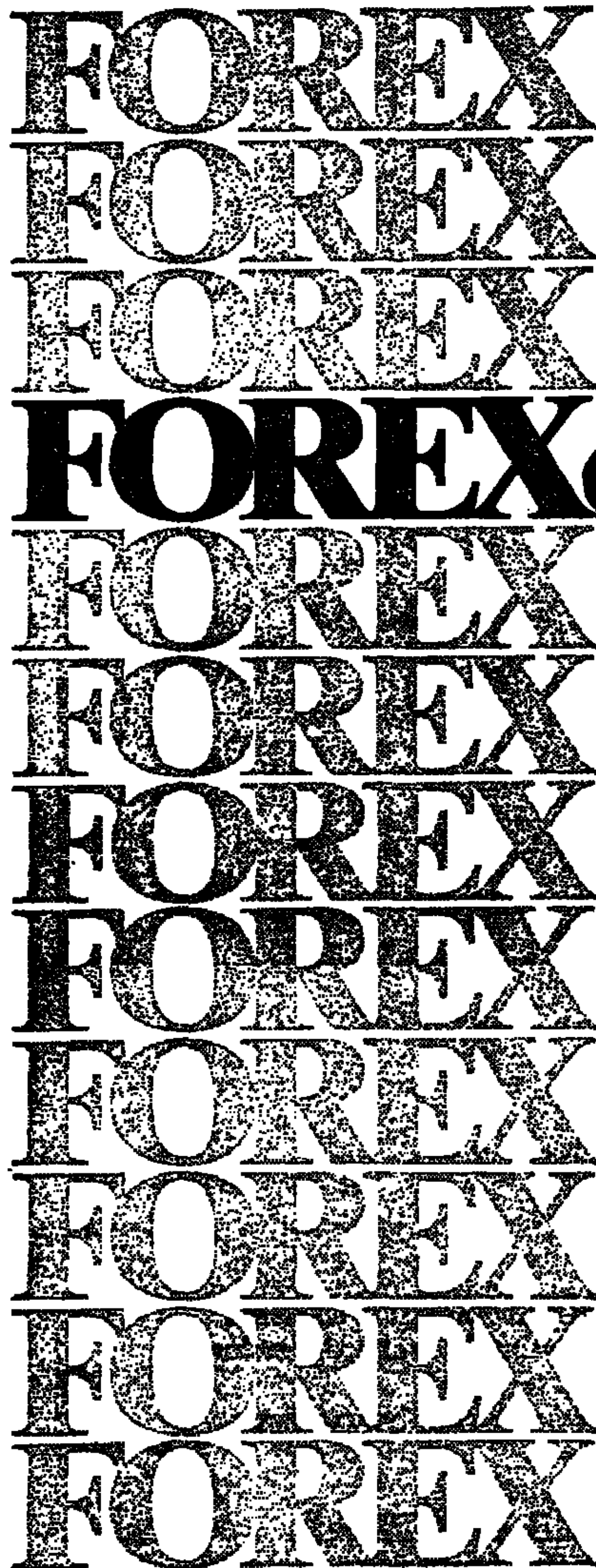
In the absense of any direct monetary or fiscal stimulus, governments will have to rely on a miscellany of policies aimed to make the workings of their economies more efficent. These include, particularly: curbs on trade unions' powers to enforce restrictive practices *and to make labour over-priced*; and a wide series of measures to encourage profitability and productive investment.

Several studies of the long-term development of the industrial economies have pointed to the decline in the overall rate of investment since 1973. This decline, associated with the erosion of profitability, has come at a time when the two oil shocks have made large amounts of capital equipment economically obsolete. Moreover, much of the investment that has taken place has been directed towards energy-saving or labour-saving rather than to increasing capacity.

This problem applies particularly to Western Europe, where it seems probable that there is now insufficient capital equipment available to provide anything like "full employment" without the creation of bottlenecks of supply or large imports.

The recent sharp rises in industrial investment particularly in the UK and West Germany, have therefore been greeted as healthy signs. Yet, to be sustained, investment will need to be associated with a continued recovery of overall demand, and preferably with *falling interest rates*.

Policymakers therefore have an extremely narrow course to shape between the imperative of financial discipline and the desperate need to keep the recovery moving ahead, even if it should meet a strong adverse wind blowing from the U.S.



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THE NIKKO PERSPECTIVE

ON WHERE The Japanese Securities Industry is Heading

DURING YOUR ***career you have witnessed dramatic changes in the Japanese financial system. From the perspective of what is happening now, how do you assess the developments of the past two decades?***

Agata: I think a person must start from the economic perspective. Japan liberalized imports and direct investment only 20 years ago, and the progress has been rapid since then.

From the standpoint of the securities industry, there have been several important developments. First, we saw the securities companies—both as underwriters and brokers—begin selling Japanese equities and bonds to international investors. Nikko, along with other firms, has been expanding its international network. The reward has been not only higher revenues, but also the internationalization of the securities market.

Over the past 10 years, we have been increasingly active, as investment bankers, in assisting Japanese companies in raising capital in international markets, principally in Europe. In 1983 alone they raised $8.7 billion outside of Japan, and at the same time, foreign entities issued approximately ¥1 trillion worth of samurai bonds in our market.

Since 1971, when residents of Japan were allowed to invest in overseas securities, we have, as brokers, also facilitated the growth of capital outflows.

As you can see, capital flows have grown sizably over the past decade. For example, total trading by nonresidents in Japanese equities during 1983 was ¥14 trillion, with ¥19 trillion more in bonds. In the other direction, during the first half of 1984, net portfolio investment by Japanese in foreign securities amounted to $10 billion.

WHAT IMPLICATIONS ***do these recent trends have for the future?***

Agata: Starting from the conclusion, it is that Japan will continue to be a capital exporter.

The savings ratio in Japan has been high over the past two decades, with the result that Japan has an excess of savings. The personal sector generates a surplus of ¥30 trillion a year, while the public sector runs a deficit of ¥17 trillion and the private financial and corporate sector a deficit of ¥10 trillion. That leaves a surplus of ¥3 trillion leaving the country in various forms, including portfolio investment.

THIS SEEMS ***to reveal that the yen is emerging as a principal international currency. What is your perspective on this trend?***

Agata: The proper role of the yen—or more to the point, the appropriate value of the yen—has been at the base of recent discussions on financial markets.

The topic itself is simply evidence of the extent to which Japan has grown as a trading nation, both in imports and exports. At present, approximately 35% of Japan's exports and 3% of its imports are denominated in yen. From a global perspective, Japan accounts for roughly 8% of world trade, but the yen is the currency of settlement for only 2% of world trade transactions.

The point is obvious. The growth in trade and the position of Japan as the second largest economy have naturally brought pressures on the yen to play a role as an official reserve currency. In 1982 the yen accounted for only 3.9% of official reserves, although this figure has grown substantially from 0.5% in 1975.

These trends—the natural pressures of the international marketplace—have been at the cutting edge of change in the Japanese financial system.

COULD YOU ***outline in more detail your scenario for the future of financial markets in Japan?***

Agata: The trends themselves are unmistakable and readily recognizable to the historian of financial markets. One example is the money market, with everyone from abroad calling for deregulation and quite a few saying that Japan is too slow in pushing the process. You might recall that only in May 1973 did the U.S. government liberalize interest rates on CDs of more than $100,000. Further, only in October of last year were all deposit rates deregulated.

That's 10 years from start to finish! Japan has just started—and at the same place. The only real money market instrument in Japan is the gensaki—or bond repurchase—transaction. This market has grown to outstandings of ¥4.3 trillion at the end of 1983. There is still room for expansion and improvement of the present CD market.

The logical scenario—as many official reports are concluding—begins with the introduction of a banker's acceptance market. The next step would be shorter maturities for government paper—essentially a treasury bill market. Once the process of freeing rates on the instruments sold to large investors is well under way, the pace at which rates offered to smaller investors are liberalized will accelerate.

We can now offer individual investors a fund invested in medium-term government bonds. This has been an enormous success for Nikko and many other firms. With shorter maturities, we could offer a true money market fund, and I hope that day is not too far off.

From the international perspective, another important development is the deregulation of the Euroyen market. Now we have the beginnings of a truly free international market. For issuing Euroyen bonds, resident entities still use the securities companies, but for nonresident entities, we compete directly with the foreign investment banks and the underwriting subsidiaries of the Japanese banks. The positive effects will eventually be felt on the competitive environment domestically.

Shigeru Agata

Executive vice-president in charge of international operations at Nikko Securities, Shigeru Agata represents 35 years of experience in the securities industry, including 20 in international operations. He is active as a member of various industry committees and government advisory bodies.

GIVEN THESE ***developments, what is your perception of the strengths of Nikko and other Japanese securities companies?***

Agata: One of the most frequently overlooked strengths is our capital base. As of June 1984, Nikko probably ranked third in the world with net assets of ¥337 billion, or approximately $1.4 billion. Our total operating assets are roughly ¥12 trillion, with one-third in the form of mutual funds and other assets under management.

Also we have a very liquid financial market in the background as I mentioned before. Any financial institution appreciates the importance of a strong capital base. It gives us a solid foundation on which to expand internationally. Equally important, it gives us more muscle as a diversified financial services company.

IN THE FINANCIAL ***services industry, any well-managed company must develop scenarios for the future and make certain strategic moves. What are the strategies at Nikko?***

Agata: I hinted at several already. Basically, our strategy is aimed at making us excellent investment bankers, superior brokers, and prominent money managers.

In the field of investment banking, we will strengthen our corporate finance capabilities domestically and internationally. We are moving into new areas, such as venture capital and mergers and acquisitions. We have already set up a venture capital operation under the name of Nikko Venture Capital.

These skills in investment banking must be combined with a strong competitive position in the brokerage business. As the Japanese stock market has grown, so has our role as a broker and market maker. The bond market has expanded at an even faster pace. A good bond dealer can be effective only with a solid capital base—something Nikko definitely has. I should mention that we are seriously considering the creation of a bond future market.

From a strategic perspective, our ability as a dealer is necessary to respond to the trends of internationalization and liberalization. This ability is also a principal determinant of our abilities to grow as an underwriter and broker. The combination of the three—underwriter, broker, and dealer—fits my definition of an excellent investment bank.

Another strategic move is the expansion of our information services. This means real-time delivery of information to investors worldwide and the development of better software for portfolio analysis.

The third component of our corporate strategy is the asset management business. In Japan we have been one of the top managers of investment trusts and institutional accounts. We have also had our share of success in attracting institutional money from abroad. In my opinion, the competition for managing these funds is just beginning. For instance, only 1% of U.S. pension funds are invested abroad, a percentage that must increase. The performance records of Nikko International Capital Management give me the confidence that we can grow faster than the market.

FROM YOUR ***recent experience, what would you point to as some of the more interesting developments over the long term?***

Agata: I have traveled extensively in Asia and am excited by the prospects for the region. Nikko already has offices or joint ventures in Seoul, Hong Kong, Singapore, Jakarta, and Bangkok.

The process of liberalization in Korea is also encouraging. Nikko, for instance, has been instrumental in initiating the Korea Fund that is now being traded in the United States. We hope to see more ventures of this kind as the equity market matures and is open to nonresident investors. I know of strong interest among international investors, including Japanese, in Korea and the other newly industrialized nations of Asia.

These developments are good for the region and contribute to the healthy growth of the global financial system. They also mean new business opportunities for a good investment bank. I think we are naturally positioned as a pioneer in providing investment information on Asian countries. As one step, Nikko Research Center just formed the Asia Department.

NIKKO

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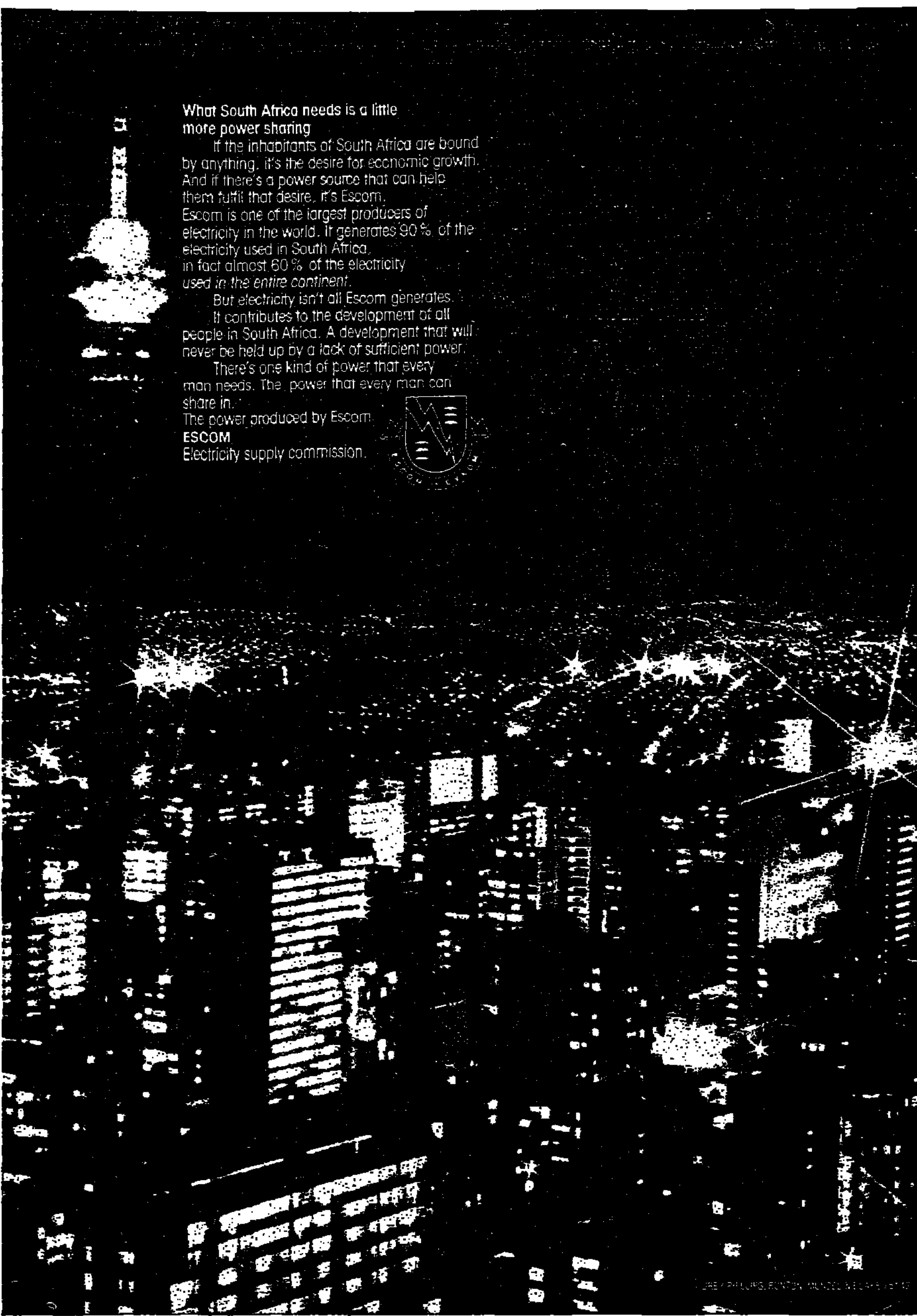

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Present boom has been surprisingly free of inflationary symptoms but the next recession could be full of them

Odds against soft landing in the longer term

U.S. Performance

SAMUEL BRITTAN

NEARLY every school of financial and economic thought has had egg on its face in the 1983-84 U.S. recovery. The financial analysts who thought that high interest rates would strangle economic recovery have been made to look silly by record net growth rates of 7 per cent achieved over an average of six consecutive quarters.

The technical monetarists, who on the basis of "narrow" money data expected first a recession, and then an inflationary takeoff in 1984, do not emerge any better. One of their mistakes was to expect short term variations on monetary growth to hit the economy after a fixed number of quarters, like a jerk from a locomotive passing down a line of carriages.

They would have done better to think of different impulses merging to form a complex lag pattern. Their other mistake was to dismiss evidence of velocity changes, whether due to financial innovation or other factors.

The supply siders may try to claim some of the credit, but not convincingly. There is little evidence of special effects on incentives or savings from the form of the Presidential tax package—which supply siders themselves have on other occasions denounced as being inadequate. The savings ratio has increased no more than normal in an upswing; and the rise in investment has been financed largely from overseas.

Moderate monetarists

How about mainstream economists? (By these I mean those who would be regarded in the U.S. as reconstructed Keynesians, but are labelled in Britain as moderate monetarists.) They would have thought it likely that a large rise in the structural budget deficit, even if offset by a moderately restrictive monetary policy, would generate an increase in monetary demand—in other words, generate a considerable increase in the nominal U.S. national income. But they would not have expected the division of that increase between inflation and real output to be quite as favourable as it has been.

We tend to forget that President Carter also presided over an expansion, which he inherited from his much-underrated predecessor Gerald Ford, and that he was determined to "go for growth," just as Ronald Reagan is today, even though the rhetoric was different; and he was just as dismissive of warnings about deficits, inflation and all the rest.

It is instructive to compare the year 1984 in the Reagan expansion with the year 1977, which corresponds approximately with it in the Carter period. (The fact that it was so much earlier in Carter's term of office is an example of Jimmy Carter's proverbial political bad luck.)

The increase in the nominal national income in 1977 was just over 11½ per cent—almost exactly the best guess that one would make for 1984 on evidence to date. The big difference is that in 1977 the division was between 5½ per cent real growth and somewhat more than 5½ per cent inflation. This year it will probably be 7 per cent real growth and little more than 4 per cent inflation.

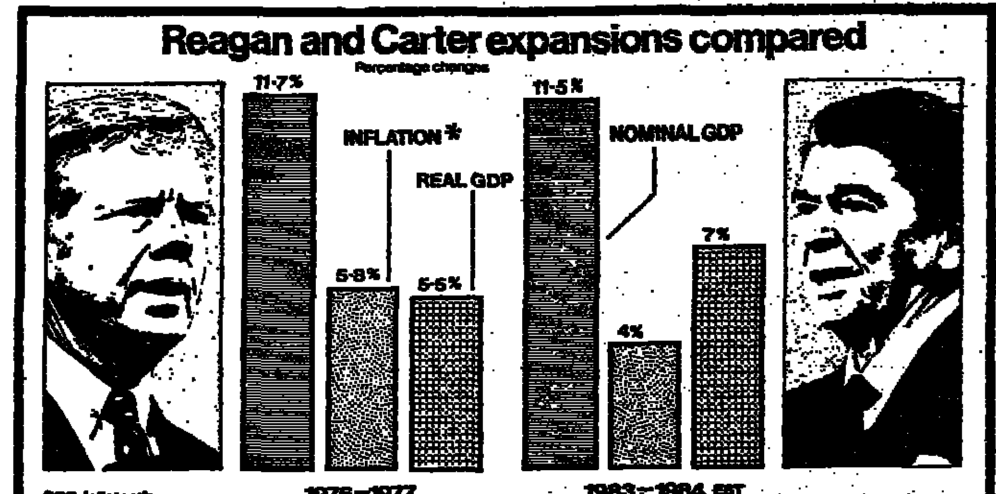
Why the difference? In "mainstream economics" changes in the inflation rate are attributed both to the level of unused resources (in relation to the NAIRU—non-accelerating inflation rate of unemployment) and changes in that level. This is so whether inflation is based on a wage cost mark-up theory or forecast directly.

Overoptimistic

In the U.S. unemployment has been falling rapidly from 10 per cent in 1982 to scarcely above the 6½ per cent corresponding to the New York Fed's estimate of the NAIRU (and in the past most estimates of the NAIRU have been overoptimistic). So in terms of both rates of change and levels, the U.S. should be approaching the inflation take-off point. This conclusion emerges even more strongly from the speed with which capacity utilisation has risen and the level to which it has reached.

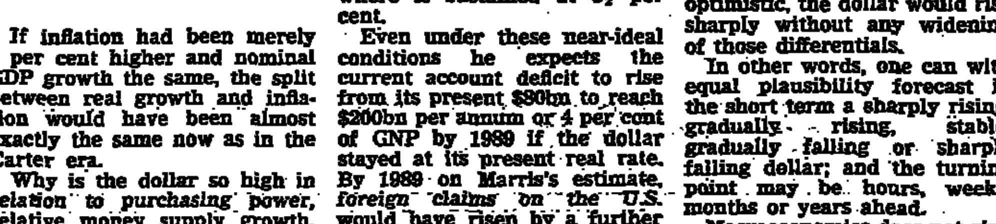
Why then has inflation failed to oblige the economic observer by taking off?

The big difference between the Reagan experience and earliar demand boosts is that the dollar is now strong, while it was weak in earlier periods. This is illustrated most dramatically in the dollar-DM chart. The dollar's real exchange rate against the mark fell by 20 percentage points over 1976-78. By 1984 it had gained about 60 percentage points, making a net rise of 40 per cent.



The move from a weak to a strong dollar has had a major dampening effect on the U.S. price level—not only on import prices, but by exerting downward pressure on the prices of domestic products competing with imports and on cost levels in the export sector. (This normal effect of a strong dollar has combined with the relative weakness of the European and Japanese recoveries to depress dollar commodity prices.) *The U.S. price level is artificially lower and the European level artificially higher because of the strong dollar.*

This explanation does depend on the exchange rate and the level of import prices being given a greater weight in explaining short-term movements in U.S. inflation than has been usual among American forecasters. But nothing heroically high is required.



If inflation had been merely 2 per cent higher and nominal GDP growth the same, the split between real growth and inflation would have been almost exactly the same now as in the Carter era.

Why is the dollar so high in relation to purchasing power, relative money supply growth, current account behaviour, or any other of the usual variables? The obvious answer is the correct one, at least proximately.

It relates to interest rate differentials. In the Carter period, real short-term interest rates were no more than 1 or 2 per cent compared with 8 or 9 per cent today. After allowing for tax deductibility, they were substantially negative for nearly all business and many personal borrowers. More important: if we take Germany as representative, U.S. real rates were below Germany's for most of the Carter period, whereas in 1984 they have been 3 or 4 per cent higher.

It is this interest differential against the U.S. which provides the real clue that the U.S. Budget deficit is in some sense too large. The general government financial balance of the U.S. as estimated in OECD statistics, amounts in 1984 to just over 3 per cent of GDP. This is if anything slightly smaller than that of the main seven OECD countries. On a cyclically adjusted basis the deficit is not immense, though tending upwards.

The Budget deficit can be seen to be in some sense "high" not because of its absolute level, but because it has to be financed in part by an inflow of capital from overseas, now running at about $100bn, and expected on some estimates to rise more in 1985. Interest rates have had to be higher in the U.S. to provide some modest inducement to overseas investors to hold dollars. But they are much lower than they would be if overseas finance dried up and the whole deficit had to be financed at home.

Thus the line of causation runs from the Budget deficit to interest rates and from interest rates to a high dollar, and from a high dollar to a dampening effect on inflation.

We are faced, therefore, with a contrast between conventional theory in which a Budget deficit tends to increase inflation and the U.S. position when it has reduced it. This is too good to be true. Where then is the snag?

If we are concerned with Budget deficits on an international scale, we must underline the obvious point that the U.S. game is zero sum. If all countries tried competitive appreciation by running Budget deficits financed from overseas, the results on a world level would cancel out, and we would be left with a still higher level of world real interest rates.

Even from the U.S. point of view, the inflation gain depends not just on a high, but on a rising, dollar. If the dollar merely levels off, there is no further downward pressure on U.S. prices (although the effects of the earlier rise may take some time to work themselves through).

To see the vulnerability of the U.S., we *must look* at another chain of causation. *This runs from the Budget deficit to the capital inflow and from the capital inflow to the current account deficit*—the latter a direct implication of double entry book-keeping and reconciled with the other elements by the high dollar.

Why should not the U.S. run a current account deficit, now amounting to just over 2 per cent of GDP, indefinitely? The ultimate reason is the effects on the U.S. international balance sheet. At the end of 1982 total U.S. international assets were just over $800bn and liabilities nearly $700bn. By now the U.S. could already be a net debtor.

The balance sheet will continue to deteriorate by an amount corresponding to the cumulation of current account deficits. Stephen Marris* has made an estimate on the assumption that U.S. growth rate falls back from 1985 onwards to an average of 3 per cent (slightly below its long-run potential) while growth elsewhere is sustained at 3½ per cent.

Even under these near-ideal conditions he expects the current account deficit to rise from its present $80bn to reach $200bn per annum or 4 per cent of GNP by 1989 if the dollar stayed at its present real rate. By 1989 on Marris's estimate, *foreign claims on the U.S.* would have risen by a further $800bn or to more than twice their present level.

Interest bill

At some stage interest payments would themselves become an important part of the current account deficit and more and more of U.S. borrowing would be simply to meet the interest bill. Obviously this "Ponzi Finance" could not continue for ever.

There are similarities to the Latin American debt crisis. But instead of the default threat we have seen in that crisis, I would expect an increasing reluctance to hold the dollar and an increasing premium in U.S. interest rates, compared to overseas interest rates, as investors required more and more compensation to meet the depreciation risk.

In looking for the flash point I would watch most closely not the Budget deficit numbers, which are but one aspect of the savings-investment balance, but the U.S. current overseas account.

A U.S. recession could have interesting effects. The current account deficit would shrink, both directly, and because lower domestic credit demand might reduce interest rates and take the dollar down with it. Thus the effect would be inflationary. So just as the present U.S. boom has been surprisingly free of inflationary symptoms, the next recession might be surprisingly full of them.

Dollar vulnerable

But the odds are rather against a soft landing in the longer term. The reasons against are similar to the reasons why economic analysts are so bad at currency forecasting. The dollar is vulnerable in the long term for the reasons already mentioned. But in the immediate future the main influence on the dollar is nothing other than beliefs about the dollar: a bootstrap effect with a vengeance.

Interest rates in different centres are reconciled by forward currency premium or discounts which have to be consistent with expectations about the future movement of currencies. If international investors became bearish, present interest rate differentials would not prevent a sharp dollar plunge. If they became more optimistic, the dollar would rise sharply without any widening of those differentials.

In other words, one can with equal plausibility forecast in the short term a sharply rising, gradually rising, stable, gradually falling or sharply falling dollar; and the turning point may be hours, weeks, months or years ahead.

Macroeconomics does not give the answer to any of the questions that politicians and businessmen ask of it. We are left with undatable "fundamental warnings" about the long run inability of countries to spend themselves into target growth rates and the short run *ability to grow at an unsustainable* rate at a price in future inflation. This may be infuriating for the "practical man" and model builder alike. But was it not Socrates who said that the beginning of wisdom was to know what you did not know?

Obtainable from the Institute for International Economics, 11, Dupont Circle, NW, Washington DC, 20036.

Summary of the projections*

(Seasonally adjusted at annual rates)

	1983	1984	1985
	— Percentage changes from previous period —		
REAL GNP			
U.S.	3.4	6	2½
Japan	3.0	4¼	3¼
Germany	1.3	3	2½
OECD Europe	1.3	2¼	2¼
Total OECD	2.4	4¼	2¾
REAL TOTAL DOMESTIC DEMAND			
U.S.	4.6	7½	3
Japan	1.5	3¼	3¼
Germany	1.9	2¼	1½
OECD Europe	1.0	1½	2
Total OECD	2.6	4½	2½
INFLATION (private consumption deflator)			
U.S.	3.9	4	5¼
Japan	1.5	2½	2
Germany	3.0	3	3½
France, UK, Italy, Canada	8.9	7	6
High inflation smaller countries†	27.6	30½	20½
Other OECD countries	7.7	6½	5½
Total OECD	5.5	5¼	5¼
		— $bn —	
CURRENT BALANCES			
U.S.	−40.8	−86	−105
Japan	20.8	30	36
Germany	3.9	6	10
Total OECD	−24.7	−52	−52
	— Per cent of labour force —		
UNEMPLOYMENT			
U.S.	9.6	7½	7¼
Japan	2.6	2½	2½
OECD Europe	10.5	11	11¼
Total OECD	8.9	8½	8½

* Assumptions underlying the projections include:
— no change in actual and announced policies;
— unchanged exchange rates from April 27 1984;
— unchanged dollar price for internationally traded oil to end-1985.
† Greece, Iceland, Portugal, Turkey.

The cut-off date for information used in the compilation of the forecasts was May 14 1984.

Setting a price on expansion

U.S. Dominance

ANATOLE KALETSKY

THE much-maligned "locomotive" theory of international economic recovery has been justified with a vengeance in the last two years. The biggest surge since the Korean War in U.S. domestic demand has pulled the rest of the world economy behind it. Aas a result of the stimulus from America, governments in Europe and Japan have been able to stick to their medium-term strategies of budget consolidation without *being accused of perpetuating* the longest and deepest recession since World War II.

The unexpected success of the locomotive theory has left unanswered the question which was at the centre of economic policy debate a year or two ago; would the leading industrialised economies eventually enjoy a spontaneous recovery, generated *by low inflation and falling* interest rates, even in the absence of government policies deliberately designed to stimulate demand?

During the next year or so, as the American locomotive begins to run out of steam, this same question will return to the forefront of policymakers' attention.

There is no sign of Germany *or Japan wishing to emulate the* Reagan Administration's stimulative fiscal policies, with a conscious effort to maintain the momentum of world recovery after the U.S. economy begins to flag. It seems, therefore, that the future of the world economy in the second half of the 1980s depends on whether a spontaneous and broadly-based expansion can become established without any additional fiscal boosts to demand.

Despite President Reagan's apparently spectacular success in delivering the "roaring" recovery which he had always promised, the attitude to Reagonomics among the leaders of Europe and Japan remains sceptical. The reasons are both intellectual and practical.

In principle, the present generation of Conservative politicians in most of the industrialised world, refuse to accept the theoretical case for fiscal reflation. They attribute the U.S. boom not to deficit spending, but to the flexibility of America's economic structures and to the unique international attractiveness of the U.S. dollar at a time of global uncertainty.

On the practical level, the critics of Reagonomics note that the U.S. economy is likely to slow in the coming year; and when it does so, the artificial benefits produced by record budget deficits will dissipate or even go into reverse.

A fall in the dollar could rekindle inflation—a 10 per cent drop in the trade-weighted index could add between 2 and 3 percentage points over three years to consumer prices. Meanwhile, a structural imbalance will have been permanently embedded in the U.S. Government's budget and real interest rates may remain at stratospheric levels, all for the sake of a few years' unsustainable growth.

But while a downturn in the U.S. economy may provide some moral satisfaction to the European leaders who were so vociferous in their condemnation of U.S. budget deficits at the world economic summits in Versailles and Williamsburg, it will also redirect critical *attention onto their own* domestic policies.

From now on, it will be up to other industrialised countries and above all the members of the European Community, to keep the world recovery going without much help from the U.S.; on the basis of current trends the prospects of success do not look encouraging.

The latest forecasts by the Organisation for Economic Cooperation and Development show growth of the OECD area as a whole decelerating from 4¼ per cent in 1984 to 2¼ per cent in 1985.

The slowdown occurs because *the fall in America's growth* rate from 6 per cent to 2¼ per cent, is not compensated by *any acceleration in Europe,* which continues to grow at a sluggish 2¼ per cent in both 1984 and 1985.

Meanwhile, Japan, whose direct dependence on the U.S. market is far greater than Europe's, is expected to suffer a decline in GNP growth from 4¾ to 3¾ per cent.

The seriousness of this prospective *slowdown in world* economic growth next year can be gauged in several ways.

A growth rate of 2¼ per cent for the OECD would be the lowest recorded since World War Two for the third year of an economic recovery.

It would allow no reduction in unemployment for the OECD as a whole and would raise unemployment marginally in Europe.

Worse troubles

Finally, it would threaten to bring worse troubles in its wake; for, as Mr Stephen Marris, formerly chief economist at the OECD recently told the U.S. Congress, "a new and even more serious debt crisis would become inevitable if the growth rate in the OECD area were to fall significantly below 3 per cent" over the next few years. Forecasts beyond 1985 *suggest that such a fall is likely:* Wharton Econometrics, for example, predicts a drop in OECD and U.S. growth to 1.1 per cent and 0.6 per cent respectively by 1986.

It should be a major cause for concern among economic policymakers that such forecasts show the economic cycles in Europe, Japan and America coinciding closely with one another, since this kind of synchronisation is both unnecessary and undesirable.

After the first oil crisis threw the whole of the industrialised *world into recession in 1974-75,* desynchronising the economic cycles in different parts of the world became an important objective in international policy discussions.

Today, with the Third World debt crisis threatening the world's financial system if a new recession should occur simultaneously throughout the industrialised world, this objective might appear more important than ever. In fact, however, the current economic trends in Europe and Japan suggest that no serious effort is being made to avert a synchronised dip into worldwide recession in 1985-86.

OECD forecasts suggest that the U.S. and Britain will next year be the only major countries where the growth of domestic demand will outpace the growth of GNP as a whole

There are, however, two major uncertainties qualifying the gloomy forecasts of an *imminent world economic slow*down. These concern the fate of the dollar and the consequences for interest rates in Europe and Japan.

Overall, a gradual fall in the *dollar, precipitated by a decline* in U.S. interest rates, would probably be beneficial for the world economy. It could even permit the sustainable world economic recovery-based on declining inflation, low interest rates, and narrowing budget deficits—which the opponents of President Reagan's expansionary fiscal policies had always *promised.*

Keynes is still waiting in the wings

Alternative Policies

PHILIP STEPHENS

WHEN Mrs Margaret Thatcher was dubbed "Tina" (There is No Alternative) back in 1980 for her rigorous adherence to monetarist policies she could not have imagined how quickly her approach would become the conventional wisdom.

The dramatic U-turn of France's socialist government in favour of economic austerity and the rout of the British Labour Party in elections last year set the seal on the triumph of monetarism over Keysianism in the industrialised world.

The policies offered by European socialists as alternatives to tight control of the money supply and progressive cuts in government deficits were apparently discredited — not least because electorates agreed *that recession and high unem*ployment had been a necessary price for the past Keynesian "extravagances."

The Keynesian view that governments can spend their way out of recession was seemingly rejected even by many of those for whom the rigours of monetarism had meant unemployment.

The prevailing orthodoxy that supplanted it is that government-led reflation of the type which characterised most post-war economic strategies now offers only a return not to growth but to high inflation.

Higher output and jobs will come not through a government stimulus to demand, but from the stability generated by low *inflation, falling* interest rates and micro-economic policies aimed at allowing markets to work better.

If this view is shared by most governments and international institutions, however, socialists in Europe still retain the support of many economists in rejecting what they see as the "monetarist fallacy."

The alternatives they offer range from the mild reflation and incomes policies advocated by many social democrats to the massive extension of state control sought by the far left.

Most have a central common feature: the belief that Europe's crippling unemployment can only be tackled if governments are willing to stimulate demand in their economies.

The growth of 2 or 3 per cent a year in prospect during the present recovery will be barely sufficient to keep unmployment from rising even further.

It is the weakness of the recovery in Europe that is gradually bringing a revival of confidence among the opponents of monetarism.

With a certain irony Keynsian economists and socialists can point to the evidence from the U.S. on the crucial impact of fiscal expansion in stimulating output and on the potential for combining rapid growth with low inflation.

In Europe, tight control of the money supply and of government spending may have brought down inflation, they argue, but at the price of "beggar-my-neighbour" deflation which has led to a permanet loss of output and resources.

"No physician would be congratulated on reducing a patient's temperature if the result was rigor mortis," is the commnet of the socialist Forum for International Political and Social Economy in its report *Out of Crisis: A project for* European Recovery.

What might be termed, the centre-left alternative to the status quo in Europe is best summarised in study published earlier this year by the Brussels-based Centre for European Policy Studies

Entitled Europe: the Case for Unstainable Growth and drafted by a number of respected economists, it argues that a temporary reflation of European economies offers the only hope of reducing unemployment.

Traditionally, the key objection to such a policy is that it risks re-igniting inflation through upward pressure on wages rather than stimulating growth. But the economists contend that there is sufficient unused productive capacity and enough slack in labour markets for the danger to be avoided.

The aim would thus be above-average economic growth for a number of years until unemployment fell back to a level where it could not be reduced further without fuelling inflation.

The socialist economists, led by British MP Mr Stuart Holland, who drew up the *Out of Crisis* report, opt for a far more radical approach.

Their study argues that the traditional monetarist and Keynsian analyses ignore the huge changes in the structure of western economies over the past few decades, in particular the heavy concentration of capital in the hands of relatively few multinational companies.

The study advocates state intervention, through tax, subsidy and public purchasing policies, to redistribute resources towards small and medium-sized firms, government investment and energy saving incentives, and "managed trade" to limit the impact of reflation on Europe's *external* deficit.

As yet neither the centre-left nor socialist alternatives show convincing signs of emerging as a real threat to monetarist orthodoxy.

There are hopes among both groups, however, that if economic recovery in Europe fails to reverse the rising tide of unemployment then the ground will be prepared for a real challenge to prevailing policies.

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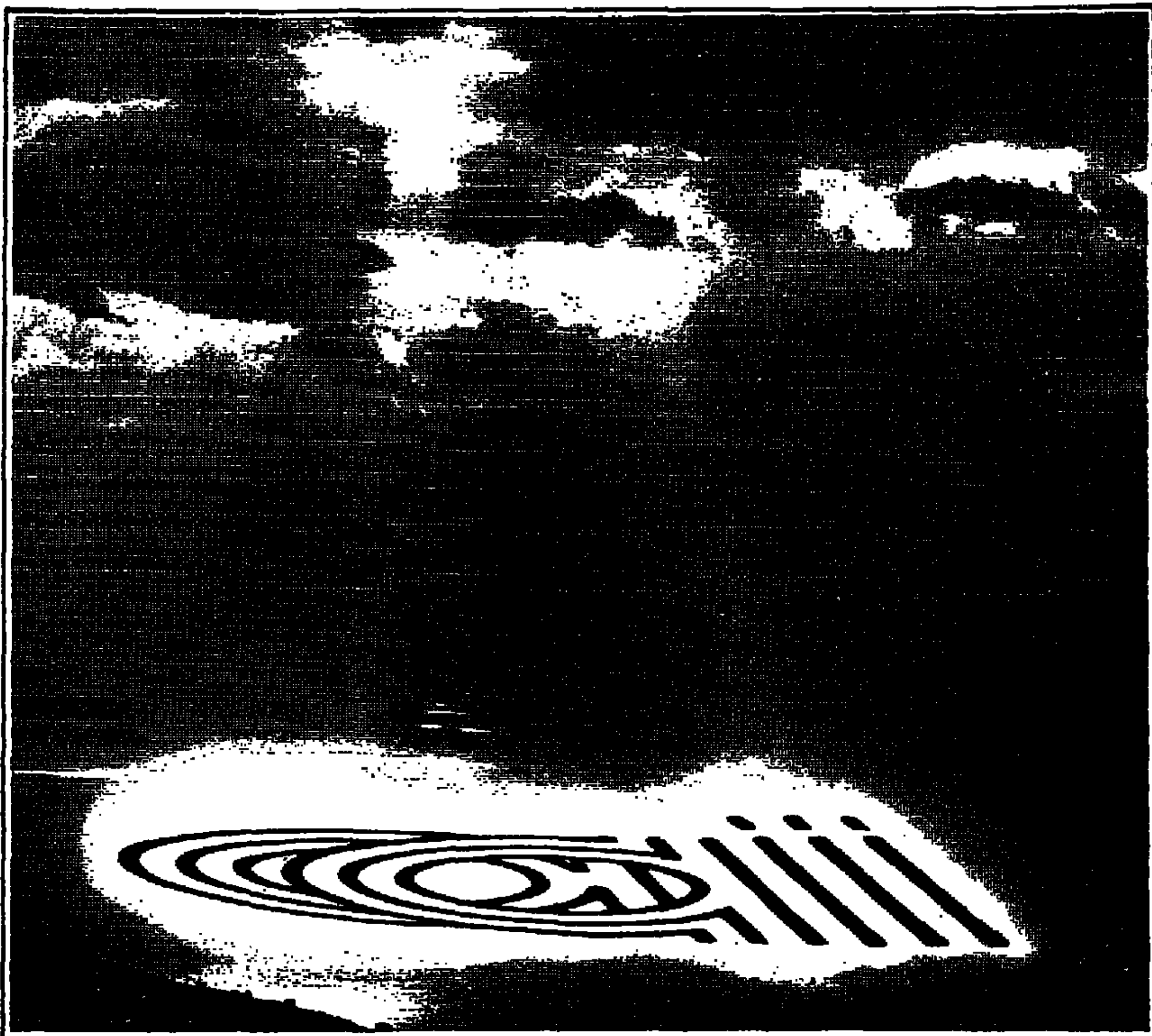

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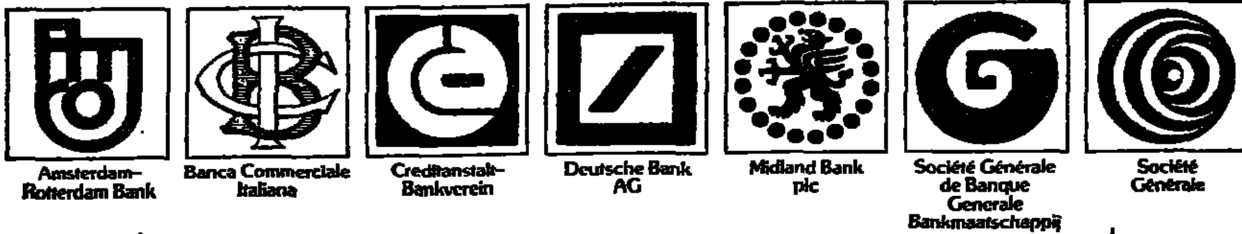

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Three aspects of crisis caused by debtor nations

A long hard slog ahead

The Burden

PETER MONTAGNON

THE developing country debt crisis which has plagued the banking world for two years stubbornly refuses to go away. Once again the problems of Latin America and other big developing country borrowers such as Nigeria and the Philippines are likely to dominate the annual meeting of the International Monetary Fund which opens in Washington next week.

This year has already seen financial markets upset by the problems of Argentina, which with debts of nearly US$44bn is the third largest borrower in South America.

Argentina has found it extremely hard to reconcile International Monetary Fund demands for austerity with its own government's commitment to economic recovery. As a result efforts to proceed with a rescheduling of its commercial bank debt have foundered, leading to a large residue of unpaid interest.

But while some countries such as Nigeria, the Philippines and Bolivia are still baulking at IMF conditionality, the news is far from being all bad.

Mexico has turned its own balance of payments round to the point where it does not expect to have to ask its commercial bank creditors for more money in 1985. Brazil is heading for a record trade surplus this year and believes its 1985 new money requirement could be cut to about half to $6.5bn borrowed from commercial bank creditors this year. And the crisis has all but lifted from Eastern Europe where Poland this year agreed a multi-year rescheduling with commercial banks covering debt maturing up till the end of 1987.

Even if serious problems remain, therefore, the IMF and leading central and commercial bankers who have masterminded handling of the debt crisis so far can point to a certain vindication of their approach.

So far there has been no need for a "global solution" to the problem involving a new international institution or Western government subsidies to ailing banks or ailing debtors.

Some of the countries concerned are responding to treatment, and the hope is that as they gradually return to financial health confidence in other countries' ability to do the same will grow.

The feeling of panic that gripped bankers two years ago when Mexico stopped paying its debt has abated and though a long hard, slog remains, some bankers would argue that the financial system has now proved itself resilient and able to cope.

But the question as to how far the debt crisis has actually been solved is still highly controversial.

Pessimists point to the growing disillusion in Latin America over austerity and high interest rates that mean each country's trade surplus is automatically eaten up in interest payments to foreign banks.

This year's large surplus may be much harder to match in 1985 if the U.S. economy slows down, making it harder for the afflicted countries to sell their wares in U.S. markets.

Ultimately there therefore still seems to be a risk that the crisis could flare up again in 1985, especially if there is no substantial fall in interest rates by then.

Western creditors have confronted this problem through an approach of "divide and rule." The idea is to isolate the countries such as Argentina which raise objections to IMF austerity and refuse to help them, while favouring those countries that perform well on their IMF programmes and conscientiously strive to meet their interest payments.

That is why Mexico is now to receive a preferential rescheduling deal from its 500 commercial bank creditors.

In this process the whole approach to debt rescheduling has changed. What are favoured now are long-term arrangements to defer repayment of debt falling due several years ahead.

This eliminates the problem of repayment humps looming down the road, allows the debtor country to plan its finances more carefully and should open the door to voluntary flows of finance at least of the short-term trade-related variety. At the same time interest margins and fees on rescheduling deals have been cut to reduce the cost to debtors, while grace periods and final maturities have lengthened.

Two serious problems remain with this approach, however. The first is the question of IMF conditionality, which is symbolised in Argentina's conflict with the Washington-based institution. The second is the question of how to restore adequate capital flows to the debtor nations so that their growth can resume without all available resources immediately being consumed by debt service.

Both these problems have become urgent as it has been realised that the financial system is having to deal with a long-term problem rather than a short-term liquidity squeeze, which is how the debt crisis was originally viewed.

It is in the very nature of IMF programmes that they offer a short-term cure for a country's balance of payments problem. Normally they last for no more than three years, at the end of which the country concerned is supposed to have restored its external payments to a sustainable equilibrium.

For Latin America that process is going to take much longer. This means that the IMF has to adapt its relationship to the debtors to give it some long-term influence without usurping the sovereign right of the countries concerned to economic self-determination. These two objectives are hard to reconcile, and little or no progress has been made so far.

Meanwhile there are already disturbing signs that economic austerity imposed has already upset the political framework of some debtor countries.

Governments in a number of them, including Chile and Peru have become very weak, and there is growing disillusion with the military regime in Brazil that is due to give way to a civilian government next year.

This could lead to Brazil adopting a much tougher line with its creditors which in turn poses a different sort of problem for the West. How far should Western creditors go in imposing economic austerity the effect of which could be to undermine the gradual evolution of democratic government in Latin America.

The image of the IMF in the developing world would be wholly undermined if it imposed policies on Argentina that led to a coup and the re-establishment of a military dictatorship.

All these problems will be made far worse if there is no alleviation of the interest payment burden that is now producing a substantial capital outflow from most of the debtor countries.

Favourable rescheduling deals tend to concentrate only on dealing with the problem of principal falling due. Little has been done to improve the mechanism whereby debtors have access to fresh money, and smaller creditor banks are showing a growing truculence about putting up more cash.

Whatever they say about withholding taxpayers' money, Western governments may still have to put some cash into the debtors' coffers before the problem is finally solved.

Shadow over the major banks

The risks

DAVID LASCELLES

INTERNATIONAL bankers may well have reason to say "so far so good" for despite fears of calamity the world banking system has not collapsed under the strain of the debt crisis.

In fact it is hard to find many banks that have actually lost money because of their exposure to the Third World. Over the past few months the horror stories have been Continental Illinois, Schroeder Muenchmeyer Hengst and Crocker National Bank, which had nothing to do with international debt.

Even so, the flurry not long ago over Manufacturers Hanover, the fourth largest U.S. bank, showed that anxiety lies close to the surface and can quickly erupt into a crisis. "Manny Hanny" has, proportionately, the largest exposure of any bank to Latin America, and indications that it was in trouble sent tremors through the markets that can still be sensed.

Since the major banks round the world have more than their combined capital at stake in Latin America, however, Manny Hanny is a symbol rather than a symptom of the problem.

If the banks are not showing losses from Third World lending, it is arguably because they are not being realistic about the value of loans to Less Developed Countries (LDCs) on their books. The U.S. banks, in particular, have been less than generous in setting aside reserves to cover possible losses, and it is not hard to see why.

Paine Webber, the Wall Street broking firm, estimates that if large U.S. banks wrote off only 10 per cent of Mexico, 20 per cent of Brazil and 30 per cent of Argentina over five years, their earnings would be reduced by between 25 per cent and 50 per cent a year.

When the U.S. authorities were recently carving up Continental Illinois they conspicuously avoided parcelling out its sovereign loans so that they did not have to put a value on them. But U.S. banks now have to abide by stricter accounting rules when borrowers fall into arrears, and this is hurting their profits.

Under legislation passed last year, regulators also have powers to force banks to set aside reserves against shaky sovereign credits. But they have been reluctant to push hard while borrowers are engaged in negotiations with the International Monetary Fund.

Banks in other countries have been more conservative, sometimes under pressure from their supervisors. The Big Four UK banks, for example, set aside over £1bn to cover bad debts last year. Not all of this was for LDCs. But some UK banks are believed to have written down their loans to Argentina, currently the worst case, by 25 per cent.

Deciding on the right level of reserves is a matter of judgment.

The major positive development since the LDC crisis began is the drive by bank supervisors in all the major lending countries to get banks to raise more capital to underpin their balance sheets. U.S. banks, which will soon have to have a "primary capital ratio" of 6 per cent, against 5 per cent just over a year ago, have raised or retained billions of new dollars.

This increase has both reduced their leverage and enabled them to "grow round" their LDC loans. Banks elsewhere have done the same.

Supervisors are now trying to set international standards of capital adequacy.

None of the fears about the imminent collapse of the world banking system have been able to generate much support for grand schemes to solve the debt crisis proposed by prominent people like Lord Lever, the former British Labour politician, or Mr Felix Rohatyn, the New York investment banker.

Central banks have also been unenthusiastic because of the financial problems of shifting bank loans on to their own books and the "moral hazard" incurred when official agencies bail out banks and undermine market discipline.

So concerned is the Bank of England to preserve discipline that it took the unusual step earlier this year of officially denying reports that it was engaged in a major behind-the-scenes effort to rescue the banks.

If the banking system does survive the crisis unscathed it will be a major triumph for the "market solution" and a vindication of bankers' claims that problems can be solved with patience and encouragement. But it is too early to say that; and a shadow will lie across the world banking scene for another two years at least.

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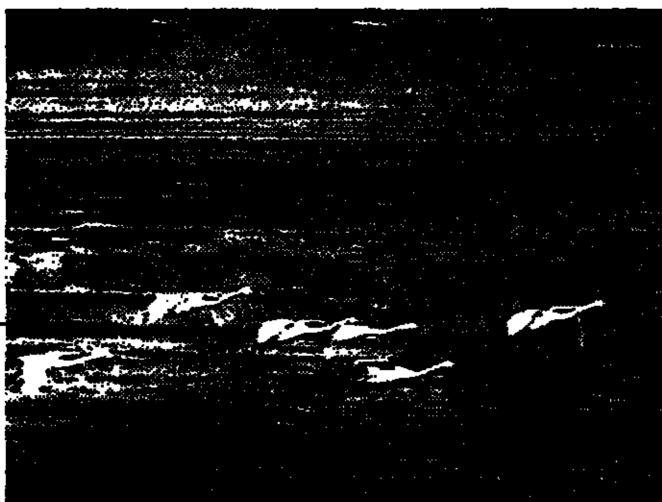

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Possible solutions

ANATOLE KALETSKY

THE dozens of proposals which have been put forward in the last two years for "solving" the Third World debt crisis have one thing in common: they involve, someone, somewhere, acknowledging a loss.

It might seem obvious that any scheme designed to ease the burden of adjustment on Third World debtors would have to be financed somehow. But the need for some kind of financial contribution, either from banks or from industrialised country governments, has in fact been regarded by Western politicians and bankers as an insuperable obstacle to any debt restructuring proposal being implemented, or even considered.

It appears unlikely, therefore, that banks, industrialised country governments or International Monetary Fund (IMF) officials will think seriously about any longer-term solution to the debt crisis unless the borrowing countries persuade them that such a solution would actually be less expensive than the current arrangements. There seems to be only one reason why the industrialised world should believe this; if it became convinced that the probable outcome of present arrangements will be default.

Thus, in the absence of a credible default threat from the debtors, it is most unlikely that any of the major restructuring plans put forward by various financial commentators will be adopted.

Despite the tough rhetoric of the debtors' conference in Cartagena, Colombia, in June and the follow-up meeting in Argentina this month, politicians in the Western World show no signs of taking the appeals from Latin America to heart, at least as long as international economic conditions appear to be improving, the debtors' current accounts are strengthening and IMF-sponsored reschedulings are proceeding smoothly.

Even modest reforms, such as the expansion of IMF lending limits or the allocation of new IMF special drawing rights, have been rejected by the U.S. and other creditor governments. Proposals such as the "capping" of interest rates to a predetermined maximum level, have been unceremoniously slapped down by politicians, even though put forward by a monetary authority as senior as Mr Anthony Solomon, President of the Federal Reserve Bank of New York.

If, however, a default does become a serious possibility again, perhaps as a result of a slump in the world economy or a further jump in U.S. interest rates, there will be no shortage of ideas for the world's politicians and bankers to consider.

The primary aim of a restructuring would be to reduce the current net outflow of foreign exchange from the developing countries, while preserving the integrity of the international and U.S. banking systems.

Protecting the banks from having to report major losses on their foreign loan portfolios, which has been the main achievement of the present rescheduling arrangements, is most unlikely to be an objective. Protecting reported bank profits is sometimes referred to euphemistically as "keeping alive the hopes of a return to voluntary lending"; but the experience of corporate insolvencies suggests that normal voluntary lending will probably remain inaccessible on any large scale until existing obligations are reorganised.

Even more importantly, it is gradually being recognised that bank shareholders have already suffered big losses as a result of the collapse of bank share prices in the wake of the debt crisis. The stock market is behaving as if the U.S. banks' true earnings were some 30 to 50 per cent lower than the earnings being reported.

This implies that bank shareholders are already discounting a default on problem loans which would reduce the interest paid by the debtors by around 5 percentage points, according to calculations made by Mr George Salem of Becker Paribas.

At present, however, the debtor countries are receiving no benefit whatsoever from the losses which bank shareholders have already suffered: one important aim of a debt restructuring would be to rectify this anomaly by ensuring that whatever reduced debt-servicing payments were agreed commanded greater market confidence than the present arrangements.

The key to any successful solution would be to find a balance between the increased write-offs which the banks could afford to accept and the sort of losses which could undermine confidence in the banking system. Striking this balance would require a careful re-assessment of bank capital adequacy and reserving policies by monetary authorities. Such an assessment would probably show that the costs which banks alone could afford to shoulder would not be sufficient to provide the borrowers with the amount of debt relief they require.

This is why the Western governments, probably acting through the IMF and the World Bank will almost certainly have to play a part in any major restructuring.

For the governments, one criterion of an acceptable solution would be to avoid creating any new international institutions or launching global negotiations which could expose Western governments to unacceptable political demands, reaching well beyond the framework of the debt crisis.

Governments would also wish to avoid subsidising debtors which could afford to continue servicing their debts without undue hardship and to ensure that countries which were assisted pursued sensible and market-oriented economic policies.

To achieve both these objectives, Western governments would almost certainly insist on substantial economic supervision by the IMF or World Bank for any country requesting special treatment—this would not only improve economic management in the countries in question, but also impose a certain political cost on countries seeking concessions on debt.

Major repair work is needed

The Threats to World Trade

CHRISTIAN TYLER

THE U.S. Administration is now once again engaged in fierce dispute with its trading partners as a result of a chorus of complaints from suffering American industries.

Ten days ago the President introduced tougher customs surveillance of textiles. On the same day, however, the Administration announced it would not be taking action against copper imports. Now the focus has switched to bulk steel, already the subject of "voluntary" quota agreements.

Because 1984 has been Presidential election year, it was always expected that the Administration would be under abnormally severe pressure from the industrial lobbies to retreat into aggressive isolationism. Now it appears, however, that Mr Reagan's big lead in the public opinion polls may have prevented the emergence of a last-minute battery of crowd-pleasing protective measures.

Political pressures in the U.S. have been magnified by the economic background: the industrial ravages of the recent recession on its steel industry for example, a trade deficit expected to exceed $110bn by the end of this year, and an ever-strengthening dollar that has handicapped U.S. exporters and given importers a field day.

The struggles of the Administration with a protectionist Congress, with industry, and with its own free-trade conscience has been of more than material importance to the world economy this year.

Repeated attacks

Mr Reagan and his top officials have sought to set the moral tone by repeated attacks on what they see as rampant subsidisation and protectionism in the European Community and parsimonious liberalisation of the Japanese market. At the same time they have enthusiastically promoted the idea of a new multilateral trade negotiation to follow the Tokyo Round of tariff cuts still being implemented.

To accuse the U.S. of a ment would be unjust; but the monopoly in protectionist senti- contrast between the words and actions of its government has not gone unnoticed by its trading partners.

In the coming months it may be that Japan—a rare example of a country today that is actually dismantling non-tariff barriers—rather than the U.S. will be able to lay claim to moral leadership of the big traders' club. Indeed, it was partly in order to acquire more international respectability that Japan last November issued the first political declaration in favour of a new trade negotiation.

Events in Washington have been unfolding against the wider background of much improved overall picture in world trade. The volume of worldwide exports and imports is expected to rise over 6 per cent this year compared with 2 per cent last year and a decline in 1982.

But regional imbalances persist. Trade in the Pacific area, including Australia and the west coast of North America is developing fast, although not without its own political tensions—between Japan and the ASEAN nations, for example.

Sluggish growth

In Europe growth appears sluggish, and the EEC's internal market continues to be hampered by administrative barriers. The heavily-indebted countries of Latin America and black Africa have been compelled to cut their imports drastically and the screw has been tightened further by the rise in U.S. interest rates.

In Nigeria, one of Africa's biggest markets, the military government has cut back on all but essential imports while negotiations still continue for settlement of huge overdue trade payments.

One consequence of developing country indebtedness has been a dearth of orders for process plant and larger capital goods. That in turn has led to ever-stiffer competition among contractors.

The informal OECD (Organisation of Economic Co-operation and Development) agreement that controls competition in export loan subsidies has come under pressure again; the U.S. has stepped up its campaign against the use of mixed credits (aid money tied in with commercial loans) and the Administration is being urged by exporters and their political champions to pull out of the agreement if the other parties do not stop breaking the rules.

The U.S. Eximbank has itself resorted to concessionary trade financing as a preliminary warning to the world that the U.S. will not stand aside when its own exporters are losing business because of "predatory" financing by others.

At the same time the big export credit insurers, public or semi-public agencies, are suffering trading losses of such a size that their underwriting policies seem certain to become tougher.

Reconciling the contrary objectives of financial stability and trade expansion has become the main underlying preoccupation of the General Agreement on Tariffs and Trade. The wave of protectionism has not perhaps been as great as predicted and the Gatt (General Agreement on Tariffs and Trade) has been able to count a few small forward steps in the review of issues it has been preparing for November's annual meeting of the contracting parties.

For example the big agricultural trading nations have come close to a consensus on how to tackle the perennial problem of bringing that trade under Gatt disciplines.

It is a shadowy consensus, certainly, but remarkable considering the bitter public arguments between the U.S. and the EEC over subsidies and between the U.S. and Japan over access to the Japanese market.

On the other hand, attempts to redefine the "safeguard" mechanism, which allows countries to take temporary and non-discriminatory protective measures, remain bogged down. It is not at all clear whether the proliferation of "under-the-counter" bilateral deals that limit the quantities of goods one country sells to another can be halted by negotiation in the Gatt.

Restrictions imposed

One of the big topics in the coming months will be the future of the Multi-Fibre Arrangement (MFA) due for review by the end of July 1986.

But the debate has begun already, not least because of successive import restrictions imposed by the U.S. and the recent publication of the Gatt secretariat's own analysis of the MFA. The latest U.S. measures, designed to deal with alleged abuse of the MFA quota system, has infuriated and united Third World textile producers. At a meeting earlier this month in Geneva they were supported by Europe and Japan in their claim that the U.S. counter-measures are illegal—an alliance which reportedly shocked the American team.

Whatever the short-run outcome of this controversy, it has brought the world's attention to bear once again on the question of how long the MFA, itself a major derogation from Gatt principles, should be allowed to survive.

The coming annual meeting of the Gatt will be considering most of the subjects around which a negotiation—including the important North-South issue—will centre.

> One consequence of developing country indebtedness has been a dearth or orders for process plant and larger capital goods.

It will consider, too, a number of new issues like trade in services and high technology (where export licensing controversies have abounded this year) which the U.S. has been actively pursuing.

National restrictions in these sectors of international trade are already formidable and appear to be multiplying. Yet despite the obvious difficulties of including them in Gatt's already battered rulebook, 1984 has witnessed the beginnings of a political effort the momentum of which could well be accelerated in the coming 12 months and lead sometime in 1986 to major repair work on the world's snarled-up trading system.

To consolidate gains made is the priority

Inflation

MAX WILKINSON

CAN the battle against inflation ever end in victory? Or to put the question more mildly, is there even a distant prospect that the industrialised countries will be able to relax the rigour of monetary policy and concentrate on growth and jobs?

On the face of it, there seem good grounds for optimism. The struggle to contain inflation in the developing world in the last three and a half year has yielded impressive results.

Although the casualties in terms of lost jobs have been high the inflation rate in the ten major industrial countries was halved in the three years up to the end of 1983. Moreover, the prospects for this year and next are for a subdued growth of prices at an annual rate of about 5 per ent.

Between December 1980 and December 1983 the average inflation rate for the Group of 10 major countries fell from 11.4 per cent to 4.5 per cent. The developed world thus moved into a recovery phase with the lowest average inflation rate since the 1960s.

Moreover, in the U.S., where the recovery was fuelled by a traditional (though unintended) expansion of the government deficit, predictions of a rapid acceleration of inflation have not so far been fulfilled. The U.S. inflation rate has remained at around 4 per cent and is predicted by the Organisation for Economic Co-operation and Development to rise only slowly to 5½ per cent by the end of next year.

Nevertheless, at the economic summit meeting for the seven most important industrial powers, in London this summer it was clear that a very high priority is still assigned to curbing of price increases.

The reason for this was simply stated this summer in the annual report of the Bank for International Settlements—the central bankers' bank in Basle.

It said: "There can be little doubt that of all the possible problems which might arise, a failure to consolidate the gains so far made against inflation would pose the most fundamental threat to the continuation and broadening of the recovery."

The OECD makes a slightly different point in its latest Economic Outlook. It says: "Longer term prospects for avoiding resurgent inflation also appear good . . ." but it adds ominously: ". . . as long as monetary growth is kept moderate and unemployment remains high."

It also cautions: "Further declines in inflation may be limited if wages eventually respond to better profits and firming of labour markets."

There are a number of reasons to be cautious about the outlook for inflation even though the immediate prospects now look better than they have for many years. These include:

- Indications that financial and labour markets in many countries still believe the inflation rate will accelerate again before long. The very high long-term U.S. interest rates—some 8 percentage points above the current rate of inflation this summer—probably includes some allowance for an expected rise in inflation. This is taken to show that the revolution in inflationary expectations which governments have sought to achieve is still far from complete.
- The likelihood that productivity gains, which have helped to limit the effect of wage rises on prices will be smaller as the recovery proceeds towards its peak. In many countries the fuller use of partly idle capacity has provided a temporary cushion enabling manufacturers to limit price rises. There may, however, be some hope that annual productivity growth will return to nearer the industrial countries' average of 3.9 per cent between 1960 and 1973 compared with the performance in the late 1970s when it dropped to 1.7 per cent.
- The probability that world commodity prices will remain firm or rise somewhat. The 25 per cent fall in commodity prices from 1980 to 1982 was a major external help to the developed countries in controlling inflation. By the early spring of this year prices had risen 12 per cent from the 1982 average although there was some weakening again in the summer.
- Fears that trade unions will re-assert themselves as they see profits recovering and the threat of unemployment receding.

This last is the most important worry in most industrialised countries, except perhaps in Japan, and to some extent West Germany, which have had a history of moderate wage settlements.

In many countries, particularly in the U.S. and the UK, the sharp squeeze on profits as monetary discipline began to bite severely limited the ability of companies to pay wage increases, and trade unions accepted very low rises, or, in some spectacular cases in the U.S. even reductions in pay.

In the U.S. even a year and a half after the start of the recovery, wage settlements have remained very moderate. In the first half of this year, collective bargaining gave U.S. workers an average increase of only 2.6 per cent for the first 12 months, and an avgrage of 2.8 per cent for the life of the agreements. In Japan, the spring wage round gave workers basic wage rises of 4½ per cent, the same as in 1983.

In Europe, with a much more variable record, wages have been exceptionally stable in Austria, Belgium and the Netherlands, while in France and Italy, which have had much higher rates of increase, there is evidence of some deceleration. In the UK, where the 7½ per cent annual rise in average earnings is still running well ahead of inflation, there appears not to have been any marked acceleration this year.

This evidence has led to some speculation that a fundamental change may have been coming over wage behaviour—or more bluntly that trade unions are beginning to learn the lessons administered by the sharp disinflationary shock of the past three years.

Structural change

However, OECD studies have indicated little evidence for any such radical change. The equations which it used to predict wage behaviour in the 1960s appear to remain broadly applicable to the period since 1979, although recent wage rises have been somewhat less in West Germany, France, Canada and Japan than would be expected on the basis of earlier patterns of behaviour.

The OECD concludes that the only country which provides evidence of a structural change in wage bargaining behaviour since 1979 is the U.S.

This implies that the moderation of wage settlements has been mainly a predictable response to the severity of the recession, with the clear implication that wage inflation will tend to accelerate again as profits' output and employment recover.

In the next two years, the moderate pace of recovery in Europe, and a further rise in unemployment from 17.8m (10.5 per cent of the labour force) in 1983 to an expected 19½m in 1985 seems likely to subdue wage demands.

Over a longer period, a reduction in wage settlements, however achieved, will be crucial to any hope of a sustained reduction in the inflation rate.

Any substantial acceleration would put governments in a cruel dilemma: the orthodox response in most countries would be to tighten monetary policy, but this would defeat the hopes of reducing unemployment.

On the other hand a renewal of the inflationary spiral in any one country would injure its competitiveness and therefore its chances of recovery. If it spread there would be a risk of a return to the stagnation of the late 1970s.

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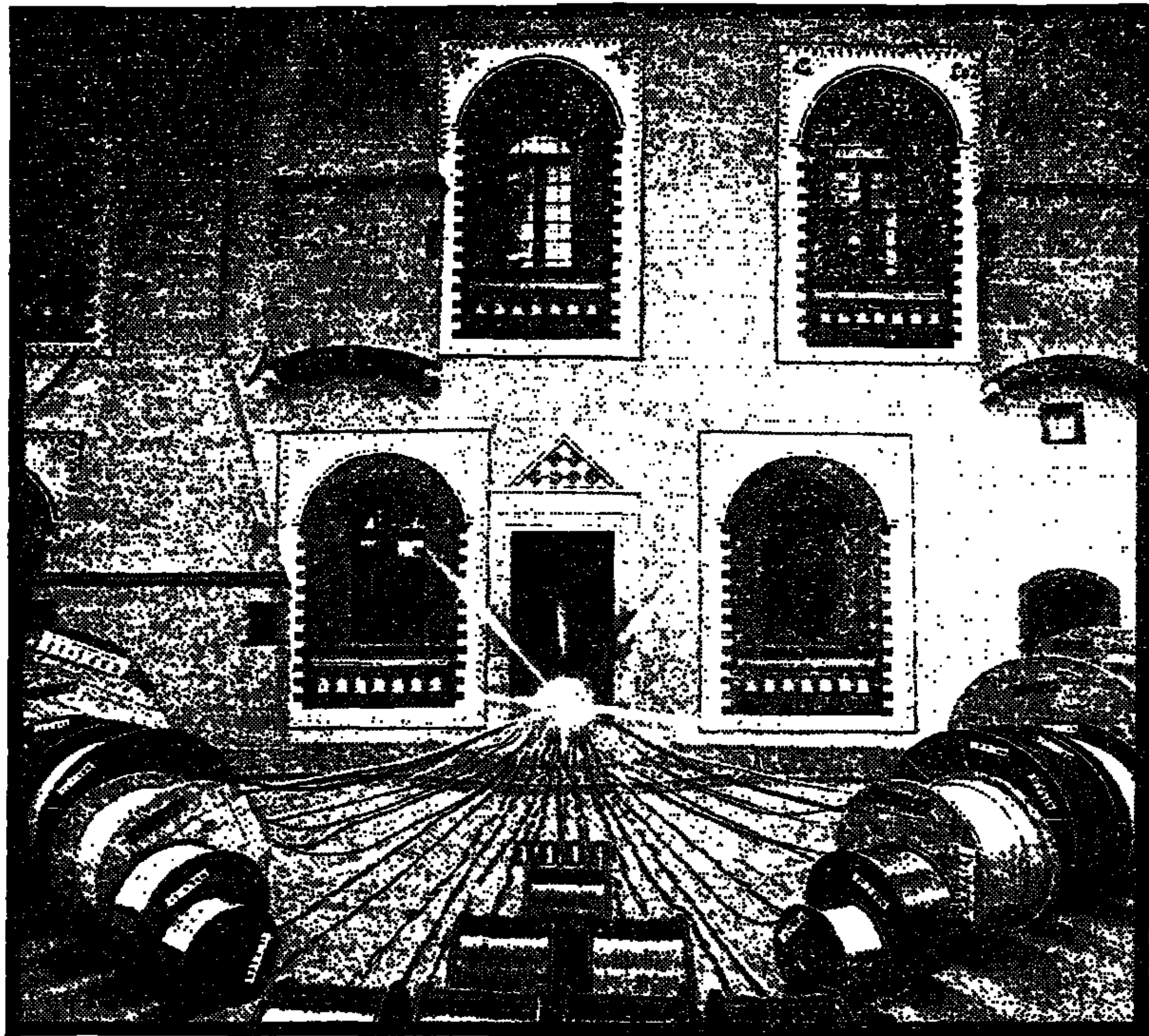

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World Economy 8

Anxious eyes on the U.S. 'miracle'

Unemployment

PHILIP STEPHENS

MORE JOBS but longer dole queues is the sombre prospect facing most of the world's industrial economies over the coming year.

Only in the U.S., where unemployment has already fallen sharply, does it seem likely that the new jobs created by economic recovery will outpace significantly the rise in the number of people seeking work.

Western Europe, which has seen its unemployment rate treble over the past decade, can expect a further 1m people to be jobless by the end of 1985, bringing the total up to nearly 20m.

Although most of the Western European nations have halted the trend towards shrinking employment, the effect of recovery is being offset by improving productivity and a growing labour force.

Among different European economies, unemployment in West Germany and Britain could fall fractionally, but most forecasters believe that any such decline will be outweighed by rises in France, Italy and several small countries.

The net result, according to the Organisation for Economic Co-operation and Development, is that at the end of next year the European jobless rate will be at a record 11½ per cent, while for the U.S. the figure is expected to fall to 7¼ per cent.

Japan, the only powerful economy which did not suffer a fall in employment after the second oil price shock, may make further gains and its unemployment rate is expected to stabilise at about 2½ per cent.

The OECD concludes that by the end of next year over 31m people will be without work in the industrialised world as a whole.

It is an outlook made even gloomier by the fact that the forecast assumes that the current recovery in output and trade will continue throughout next year.

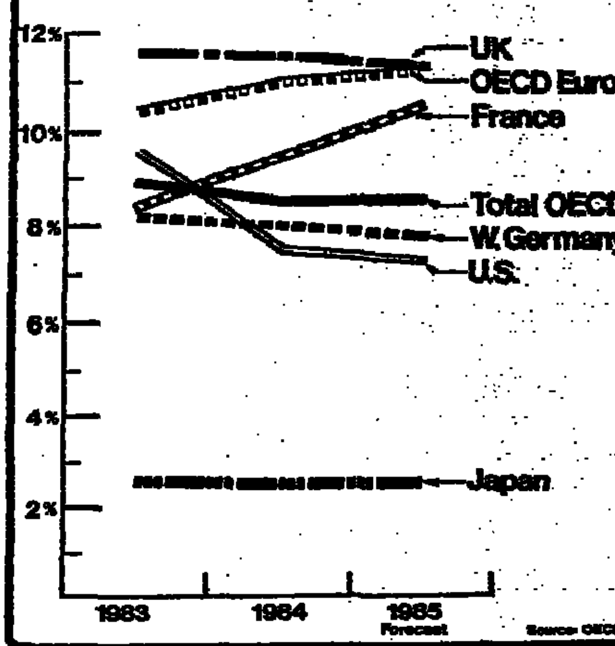
In Europe, in particular, that grim prospect is beginning to restore the issue to a central place on the political agenda.

In a world recession, with the fight against inflation in the balance, rising unemployment might reasonably be presented as a necessary, if painful, by-product of the essential structural adjustments needed to put Western economies back on course.

Still longer dole queues during the second and third years of recovery are much harder for politicians, economists and voters to accept.

European governments, convinced that they must maintain tight public spending and monetary policies to hold down inflation, are looking to the U.S. "miracle" for the answer to the problem.

In the decade to 1983 some 16m new jobs were created in the U.S., while Western Europe actually lost 1.5m. More recently, between the end of 1982 and the summer of this year, the U.S. managed to provide work for 5m more people.



The reason, most European governments now believe, is to be found in what the OECD rather euphemistically calls greater "labour market flexibility."

Roughly translated it means that the U.S. has fewer powerful trade unions intent on forcing up real wages and a greater willingness among its workers to adapt, if necessary by taking pay cuts, to changing labour market conditions and new technologies.

Service industries

Most of the new jobs in the U.S. have come in private service industries, where real wages actually fell during the 1970s. In contrast, European workers in similar industries won significant real increases despite long periods of recession.

The virtues of what are seen as more efficient, competitive and adaptive labour markets have been strongly espoused by the UK Chancellor of the Exchequer, Mr Nigel Lawson.

Relatively free labour markets, the spirit of enterprise and workers who prefer to "price themselves into jobs rather than out of them" are providing the powerful engine of employment in the U.S., Mr Lawson argued in a keynote speech earlier this year.

Among the measures suggested by the OECD are a critical reappraisal by European governments of minimum wage and other employment regulations, and of forms of taxation which encourage the use of capital-intensive processes in industry.

The OECD also hints that there may be a place for some informal incomes policies, despite the obvious reluctance of many governments to consider such a possibility.

Grave doubts remain among some economists, however, whether greater flexibility in labour markets can make a significant dent in unemployment unless accompanied by other action to accelerate economic expansion.

The recent sharp fall in U.S. unemployment, the largest since the country recovered from the 1949 recession, has coincided with the boom in demand created by the huge U.S. budget deficit.

The fastest employment growth since 1982 has been seen not in new service industries but in the traditional areas of construction and consumer durables, the first to benefit from a demand-led recovery.

In its annual report the Bank for International Settlements has cast doubt on whether real wage flexibility in the U.S. has continued to increase over recent years. In any event, the BIS says that the dramatic fall in U.S. unemployment last year was partly due to the strength of the recovery.

The implication may be that more flexible labour markets and more adaptable workers can lead to a big fall in European unemployment only if they provide the platform for much faster growth than at present seems likely.

Robots change jobs outlook

Technology

MICHAEL PROWSE

FEW topics raise as much heat as the impact of new technology on jobs. Is it conicidence that *the increasing use of micro chip* technology, robots and computers in the past decade has accompanied a steady rise in unemployment to levels not seen since the 1930s? And if new technology is a cause of job losses, is this a transitory or a permanent phenomenon?

There is little doubt that new technology can lead to job losses in the short-term in the industries affected. For example, a UK study published in July by researchers at the University of Bradford suggests that the introduction of new technology by Britain's National Coal Board could reduce the number *of mining jobs from 190,000* today to 79,000 by March 1988. Other heavy industries such as automobiles and steel have experienced job losses because of greater automation, and will see further shrinkage of employment.

Nor is the service sector immune from these changes. In May, the impact of new technology in the UK financial sector was examined by the Institute of Manpower Studies, based in Sussex. Employment in insurance—the worst affected area—was forecast to contract by between 12 and 18 per cent by 1987. During the past decade, financial services have been one of the UK's most reliable sources of new jobs. But the Sussex study suggests there is little hope of return to average annual employment growth of 2 per cent, although banking may continue to generate a few new jobs.

Several studies have charted the growing use of microelectronics. In March, for example, Britain's independent Policy Studies Institute unveiled the fruits of a survey of 1,200 UK factories. It found that 47 per cent of British manufacturers were using, or planned soon to use, microelectronics in their products or processes.

This compared with only 30 per cent in 1981. Yet the report suggests the loss of jobs in UK manufacturing as a *direct consequence of micro*-electronics has been quite limited: only about 35,000 disappeared for this reason between 1981 and 1983.

The British experience is *mirrored in other developed* economies. The Organisation for Economic Co-operation and Development (OECD) has estimated that the robot population of its member countries could grow by 30-35 per cent a year over the next decade. In 1982, it reckoned there were a total of 60,000 worth $2bn.

So far robot penetration in manufacturing is highest in Sweden (30 per 10,000 employees) followed by Japan. Between 1974 and 1981, Sweden's robot population grew at 53 per cent a year. However, in absolute terms Japan heads the robot league with 9,500 automatons.

At present, robots tend to perform very simple tasks—such as spraying car panels. But some entrepreneurs believe that over the next 20 years a huge market in home robots—mobile creatures capable of doing household chores—will emerge, and that industrial applications will multiply.

If the introduction of microelectronics, robots and computers tends to lead to immediate job losses, the long-term effect is much less certain. It is fashionable to argue that today's technological revolution is nothing new. Mr Charles Handy, in *his book "The Future of Work,"* says "We have seen technological change before. Between 1860 and 1960 the capital employed per worker doubled but output trebled. Automobiles replaced horses and society adjusted."

But even if the Western economies do adjust, many still believe that full employment, as it was once understood, will never return. The International Labour Office, for example, calculates that the world must generate 1,000m jobs between now and the year 2000 if full employment is to be regained.

Contraction

One response to such depressing statistics is that the definition of "job" will have to change. Mr Handy, for example, argues that the once traditional working life of about 100,000 hours (47 hours a week, for 47 weeks a year for 47 years) has already been eroded—to about 75,000 hours in many industries—and forecasts a further contraction to perhaps 50,000 hours.

Some observers, for example, Mr Max Geldens, writing in The Economist, seem to think work-sharing will be un-necessary. They note that previous "revolutions"—for example the mechanisation of farming and then manufacturing—did not create the permanent unemployment feared at the time. Today's high unemployment is transitory: new technologies have enhanced productivity and created new job opportunities. Once the educational system wakes up and trains people in the new skills the problem will dissolve.

Many economists argue, for example, that the notion that new technology will lead to lasting unemployment is simply a manifestation of the "lump of labour" fallacy. There is not a fixed amount of work to be done, so if machines do more this does not mean less is available for people. In reality, human wants are unbounded—the problem is developing the skills so that they can be satisfied.

Even so, some pessimists maintain present developments in robotics and artificial intelligence are just not comparable with past experience because they will threaten all but the *most creative and sophisticated* human tasks. Only time will tell who is right.

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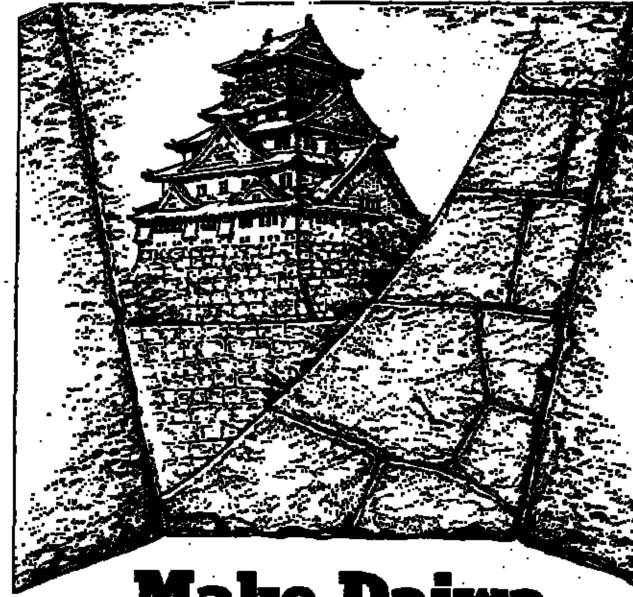

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Firm trend as yet showing no signs of weakening

Interest Rates

MAX WILKINSON

THERE IS a strong consensus among private forecasters and among officials of the major international financial institutions that U.S. interest rates will continue to be strong next year and may well rise from their already high levels.

There is less unanimity, however, about how this will affect *monetary policy and interest* rates in the rest of the world. While savers outside the U.S., particularly in Japan, continue to be prepared to amass dollar assets, and the dollar remains strong, it seems likely that the scope for "de-coupling" interest rates in Europe from U.S. rates will remain *fairly* limited.

Yet the long predicted fall in the dollar, whether from a sudden *collapse* of confidence or from some other cause, would certainly not be an unmixed *benefit.*

Even after agreement on the first $63bn instalment of the $140bn package of measures to cut the budget deficit (the "*Down Payment*"), the U.S. Federal Budget deficit is expected to be in the $170bn to $175bn range, rising to around $185bn for the next fiscal year.

The continued rapid rate of economic growth in the U.S. in the first half of 1984 pushed up short-term corporate borrowing, so that even allowing for some slowing of the pace of recovery, next year, the private and official demand for credit in the U.S. will greatly exceed domestic savings.

The Bank for International Settlements estimates that this year's Federal Government *deficit will* be the equivalent of more than a third of gross domestic saving. Even though unprecedentedly high real interest rates are beginning to stimulate more private saving in the U.S., the country will continue to depend on substantial inflows of capital from abroad.

Further measures to cut the U.S. Budget deficit are unlikely to get under way until 1985 at the earliest and would be most unlikely to bear fruit before 1986. In advance of the election, it is by no means clear how much political capital will be available to tackle this difficult and unpopular issue.

Pavlovian reliability

For these reasons, it is very possible that the recent association of high U.S. interests and a high dollar could be radically *altered.* In the last *few* years, the foreign exchange markets have reacted with almost *Pavlovian reliability to a* strengthening of U.S. interest rates by pushing up the value of the dollar. At times in which it was thought that U.S. rates *were set to come down,* the dollar has been weaker.

However, there could be a very different reaction to a "foreign investors' strike." A *fall in the dollar associated* with a perception that the mounting burden of the current account deficit and the budget deficit, was tipping the U.S. towards *instability,* would give the authorities a very difficult choice.

Either they might have to raise short-term interest rates or face the risk of a serious overshooting of monetary targets. In any case, the financial and bond markets could be badly jolted. A shortage of savings flowing into the U.S. would raise the possibility that the federal deficit might have to be monetised, with "printing money" a sure receipe for future inflation.

Alternatively equilibrium would have to be restored by a *further rise* in nominal interest rates, which might be quite steep and would have three effects:

- A damping down of private demand for credit, and hence a slowing of the pace of growth. In the worst case industrial and consumers' confidence could be hit badly enough to lead to a *contraction of consumer spending,* a running down of inventories and a renewed recession.
- A revival of capital inflows from abroad. The U.S. authorities would find themselves in a position all too *familiar to* European governments, particularly in the UK and recently, France, of being *forced to defend the currency* by raising interest rates.
- An increase in private domestic savings. Although very high interest rates must stimulate saving, entrenched patterns of saving take some while to change, and a period of crumbling overseas confidence would not be the most propitious time *for this.*

This gloomy speculation, leads to a further twist, which is that a substantial fall in the dollar—or the risk of it—would have inflationary implications for the U.S. over the medium-term through the direct effect on import prices. This could put further upward pressure on interest rates.

All this may not happen, or alternatively, the markets may already be discounting the twin danger of a drying up of the flow of foreign capital or an extra impulse to inflation.

The fact that long bond yields were almost 9 percentage points higher than the current inflation rate this summer seems to suggest as much. It is hard to believe that the markets think the real rate of interest should be 9 per cent for the next 15 to 20 years. The current nominal yield of around 13 per cent must surely include some expectation that the inflation rate is going to rise as well as the risk (for foreign investors) that the dollar will fall.

Moreover, it may be argued, as the UK National Institute of Economic and Social Research *has suggested,* that the U.S. authorities would not dare to tighten monetary policy very much while the associated rise in interest rates might be expected to bring in another period of crisis for the third world debtor countries with, perhaps more insolvency scares for the U.S. banks.

Nevertheless, it can be argued convincingly, that the fall of the dollar, ardently desired in some quarters, and confidently predicted by private analysts and public authorities for more than two years, would not lead to a fall in U.S. interest rates, and might well push them higher.

But, would the high level of U.S. interest rates become more tolerable to other countries, particularly to Europe and Japan, if they were associated with a lower dollar?

This seems probable, on the face of it, since the main constraint on countries which have been following a more disciplined fiscal regime has been the fear that depreciation of the currency could lead to an inflationary surge in import prices, leading to a spiral of wage and price increases with further pressure on the *exchange rate.*

Even Japan, which has inflation under comparatively much tighter control, kept interest rates somewhat higher than it might have done on domestic considerations alone, because it has not wanted the Yen to weaken against the dollar.

The main constraint, for Japan, however, was that a weaker Yen would have worsened its terms of trade without improving its exports. Those are mainly limited by "voluntary" trade agreements and the fear that they might be replaced by outright protectionism.

A weakening of the dollar would *clearly* mitigate these fears. For a few months at the beginning of this year it seemed as if the benign process of gradual "de-coupling" of European interest rates might be under way.

Real long-term interest rates*

	U.S.	Canada	Japan	UK	Germany	France	Italy	Belgium	Switzrld.
	period averages, in percentages per annum								
1982	7.6	5.0	5.4	4.0	3.7	3.9	3.9	4.7	−0.8
1983	8.8	6.9	5.6	6.2	4.9	4.9	3.0	4.1	1.6
1984 1st quarter	7.8	8.1	4.4	5.2	5.6	5.0	3.6	5.2	1.6
Earlier recovery years									
1968	2.0	3.9	1.7	2.9	4.8	2.4	5.5	3.8	2.0
1972	3.9	3.5	2.2	1.9	2.4	2.0	1.7	1.6	−1.7
1976	2.7	2.9	−0.6	−2.3	3.5	0.9	−3.1	−0.1	3.3

* Based on monthly data. Representative long-term bond yields minus percentage changes over 12 months in consumer prices.

Source: *BIS*

However, the steady rise in U.S. rates at a time of major strikes in Europe (IG Metall in West Germany and the Miners and dockers in the UK) led to a change of sentiment. West German rates rose somewhat, although with 3-month interest rates at just over 6 per cent by the end of July, they were still considerably lower than those in the U.S.

UK rates rose sharply in July, with the clearing banks' base lending rates pushed up to 12 per cent in defence of the pound, but have since fallen back, somewhat.

Almost identical

Nevertheless, UK three-month interest rates at about 10½ per cent this summer were very close to equivalent rates in the U.S., and perhaps almost identical if one takes into account the slightly higher inflation rate in the U.K.

In the UK, France and Italy which have an unhappy recent history of inflation, the prospects *for much further disengagement* from the influence of American interest rates seems problematic, while West Germany already has opened up quite a large *interest rate gap, at the expense* of the D-mark.

Although the U.S. deficit and the associated high interest rates have almost completely dominated discussion of world interest rates for the last two years, there has been a growing realisation that the industrialised world may be facing a general shortage of capital, as a result of the low levels of investment in recent years and the fact that high energy costs have rendered some equipment prematurely obsolete.

If this is the case, the demand for industrial capital is likely to put a steady upward pressure on "real" interest rates, particularly as private demand for capital is still competing with relatively high budget deficits by past standards in most countries.

The present high "real" interest rates may, therefore, be more than an immediate response of the world capital *markets to pressures from the* U.S., and "real" rates, measured at least as the premium over current levels of inflation, may well be set to continue in the 4 to 6 per cent range established in most countries outside the U.S. since 1982.

At all events, the trend in the *first half of this year* was for real rates to become firmer under the double impact of a firming of nominal rates and the easing of inflation.

Or maybe people simply do not believe that lower inflation is here to stay.

Windfalls still cling to dollar apple tree

Currencies

PHILIP STEPHENS

ECONOMISTS used to believe in gravity. But the dollar's inexorable rise over the past two years has shaken the confidence of all but the most resilient that fundamental laws can any longer be relied on to shape the fortunes of the world's leading currencies.

Warnings that the dollar's sustained strength on foreign exchange markets is unsustainable in the face of soaring current account and budget deficits are still issued routinely by central bankers and international organisations.

The International Monetary Fund, the Bank for International Settlements and the Organisation for Economic Co-operation and Development have all highlighted the potential for a collapse in the U.S. currency's value.

But, as dollar investors continue to shrug off trade deficits *of $14bn a month* and dire predictions of the inflationary dangers of the budget deficit, the warnings appear to be losing conviction.

High U.S. interest rates, and *the* possibility they could rise even further, has persuaded many economists that the dollar may remain strong until well after the presidential elections — assuming that President Reagan is returned to office.

The key to its strength, they believe will be buoyant demand for credit and subdued inflationary pressures in the U.S. economy.

There are signs that the economy is slowing from the heady pace of the first half of this year, and in recent months it has become clear that the Federal Reserve is reluctant to tighten its monetary policies.

There is a growing view, however, that the government's huge borrowing programme will combine with heavy seasonal demand for credit from business to underpin interest rates at or above present levels.

Mr David Morrison, senior economist at London broker Simon and Coates, believes there will be a redistribution of borrowing away from consumers towards business, but overall credit demand should support interest rates well into next year.

If that is the case foreign investors, attracted also by the new incentives being offered by the U.S. Treasury, could well be prepared to provide the funds needed to cover the widening current account deficit and sustain the dollar at its high levels.

The "financing gap" caused by the current account deficit and identified by many economists earlier this year as a major threat to the dollar has proved far less difficult to bridge than expected.

The U.S. banks have become net takers of international funds, reducing the supply of dollars available to the rest of the world, while the rapid build-up of dollar assets in international portfolios has not slowed the flow of long-term funds into the U.S. currency.

The main uncertainty, presuming that Mr Walter Mondale does not significantly erode President Reagan's lead in the run up to the election, may then be next year when prospects for a cut in the U.S. budget deficit become clearer.

The dollar's present strength depends crucially on investor confidence that the benefit of high interest rates will not be eroded by resurgent inflation or a sharp decline in the value of the U.S. currency.

A failure to tackle the deficit after the elections could severely damage this confidence by raising the suspicion that the U.S. authorities will be forced eventually to "monetise" the debt, provoking a sharp rise in the rate of inflation.

The Organisation for Economic Co-operation and Development (OECD) that a gradual fall in the dollar's value might be welcome, but an uncontrolled slide, sparked by the refusal of foreign investors to finance the current account deficit at existing exchange rates, could drive the world back into recession.

Steady decline

A steady but controlled decline would be a mixed blessing for other Western economies.

On the one hand they would lose some of the boost to demand provided by surge in U.S. imports, but on the other, *they might find* more scope to expand their economies without risking higher inflation.

In the meantime Europe and Japan have learnt to live with a strong dollar. Although high U.S. interest rates have dampened investment by keeping other rates higher than they would otherwise have been, the inflationary impact has been much smaller than expected.

The D-mark has lost around 20 per cent of its value against the dollar since 1982, but inflation in West Germany is expected to average only a little more than 2 per cent this year.

The strength of the U.S. currency has created problems for sterling this year, but mainly because its surge has coincided with industrial disputes in Britain.

For the European Monetary System it has contrbuted to the longest period of stability since the system was set up in 1979 by depressing the D-mark relative to weaker European currencies.

What worries many European *governments is the longer-term* impact on their industries. The fear is that company investment and expansion plans will take the exports generated by a high dollar *for granted,* creating severe problems when the U.S. currency falls.

Success in forecasting that "when" though has so far eluded the world's economist. The more cynical among them would say it could be tomorrow or it might be in 1988.

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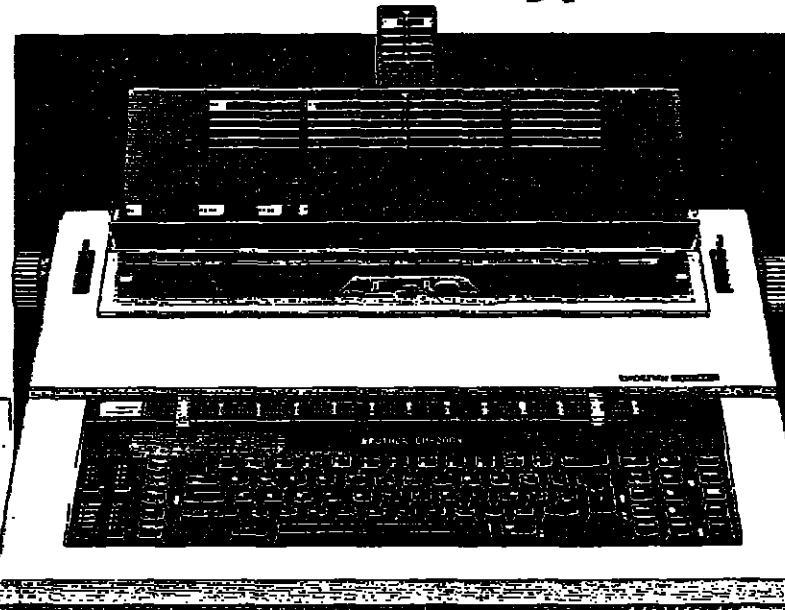

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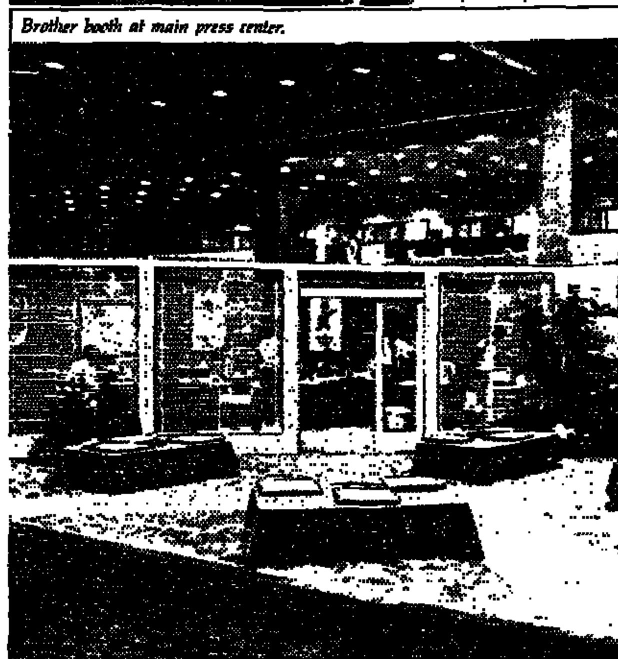

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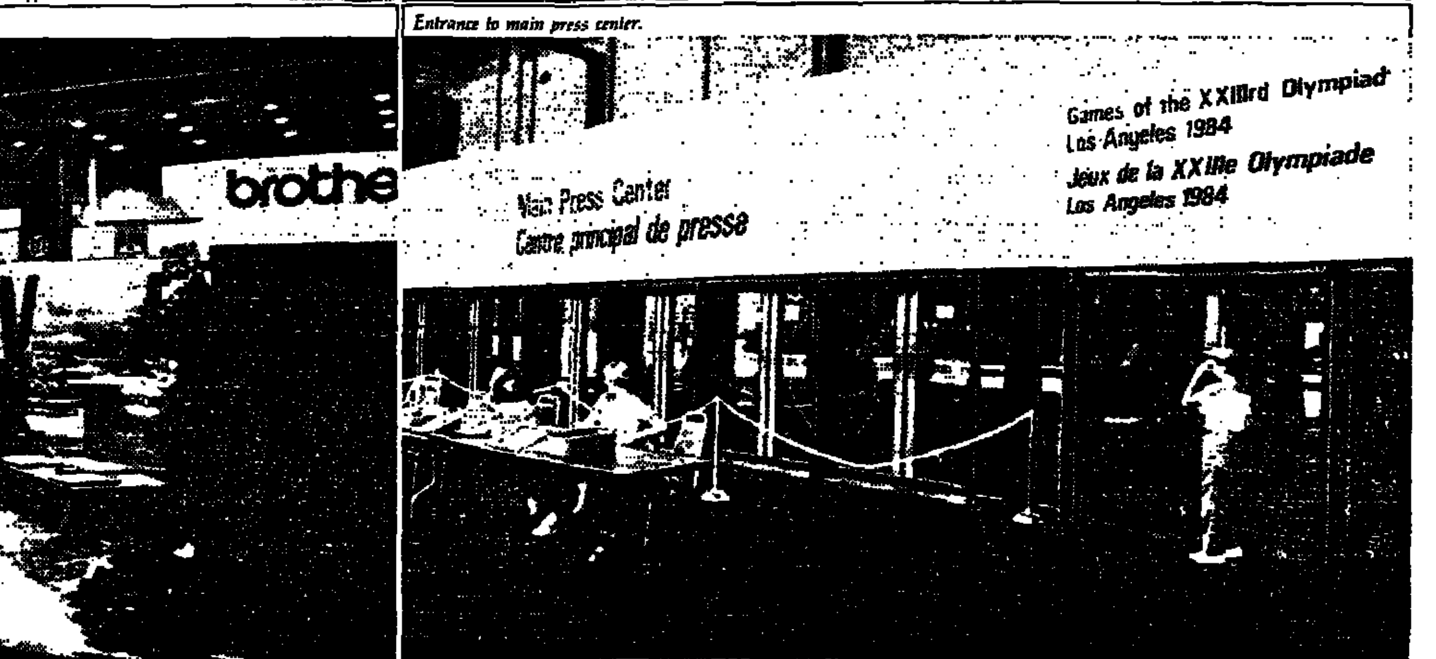

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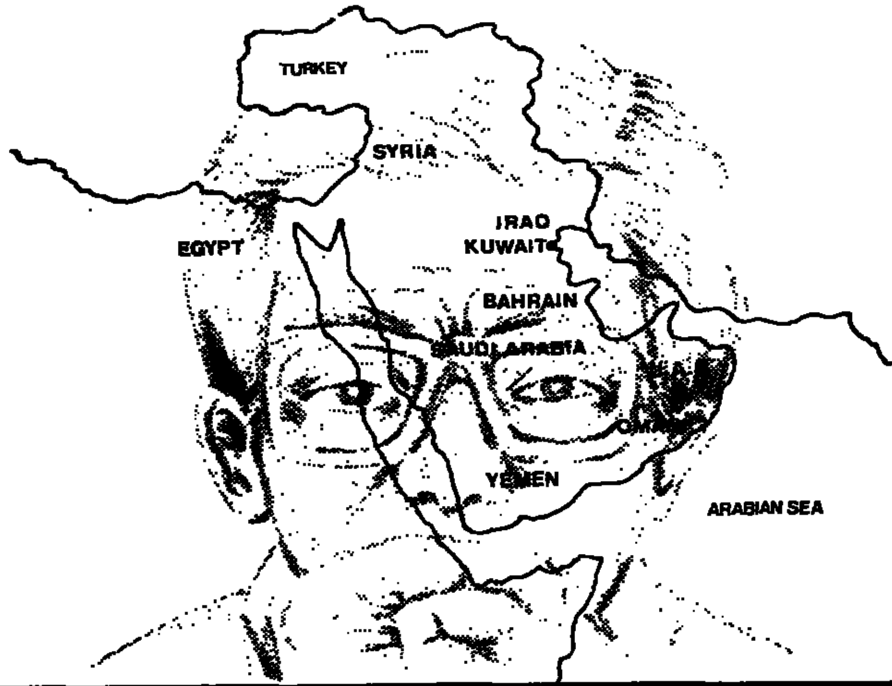

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Hopes pinned on gradual slowing of recovery pace

The U.S.

STEWART FLEMING

A 100-POINT spurt in the Dow Jones Industrial Share Average at the beginning of August dramatically underscored a burst in confidence in the financial markets concerning the short-term economic outlook for the U.S. economy.

Few were misled by the summer rally into believing that the unexpected share price explosion signalled another turning point in the economic outlook such as the one which sent share prices surging by 50 per cent in the 12 months after August 1982, a period which saw the U.S. begin to lead the world out of its worst post war recession.

There was little doubt that many investors had sensed at least a shift in the economic wind in recent months and one which may provide U.S. economic policy makers with more time to try to work out a solution to the problems facing the U.S. and therefore the world economy.

With an election only seven weeks away President Reagan and his top officials quickly read into the Wall Street rally the resounding endorsement of the administration's economic policies which officials believe the markets have been unfairly denying them for too long.

Looking at the record of the past 18 months, the economy period which the President and his advisers are now using as a foundation for Mr Reagan's re-election campaign, it is easy to make the case that Mr Reagan has a point.

Since the bottom of the recession in 1982 the U.S. economy has enjoyed very nearly its strongest post war recovery. Some 6½m jobs have been created as unemployment has dropped from its peak of 10.8 per cent in December 1982 to around 7.5 per cent now. After expanding at an inflation adjusted six per cent on a fourth quarter basis in 1983 most economists are expecting even faster growth for 1984, a development which would break the more normal pattern of a slow down in the second year of an economic recovery. The administration itself is expecting real growth to hit 6.5 per cent this year.

Just as striking has been the fact that the economic expansion has not only been much more vigorous than even the Administration's optimists expected, it has been, with the important exception of the export sector, more balanced. This has not been a consumption-led boom except in its earliest stages. Capital spending has also been playing a bigger than expected role. As for exports, administration officials are quick to argue that although domestic industry has been hit by the startling deterioration in the trade balance, the pace at which the U.S. has been sucking in imports has helped to spread some of the benefits of the U.S. upswing around the world.

The economic indicator which has had the biggest impact on Wall Street's financial markets in the summer months, however, has been the evidence that in spite of a torrid economic expansion, inflation is remaining subdued. Compared with a peak of 12.4 per cent in 1980, inflation has come tumbling down to around 4 per cent this year.

Until a few weeks ago few economists thought that so moderate a pace of inflation could be sustained for very much longer. It is, above all, the spreading conviction that inflation is not about to run rampant again in 1985 that has helped the long-term bond market to rally since May, a period which has seen the yield on 30-year treasury bonds drop from over 13¾ per cent to 12¼ per cent.

These signs of greater confidence in the bond markets were buttressed by remarks from Federal Reserve Board chairman Mr Paul Volcker in July to a congressional committee which were interpreted as indicating that because of subdued inflation and expectations of slower growth the FED would not tighten its monetary policy in the next couple of months. Indeed some analysts started suggesting that the next move by the FED could be to ease policy, and jumped to the conclusion that if the FED was less worried about the economy "overheating" they ought to pay less attention to this threat too.

Assessment

In the past couple of weeks however, a more sober assessment of the economic scenery has again begun to surface and which is paying more attention to the longer term prospects. More analysts have concluded that the Fed is not on the verge of easing its monetary policy but that its "passive tightening" stance of allowing market forces to drive up interest rates remains in place.

This is something Mr Volcker himself hinted at in Congress. Rather less attention is being focused on the admittedly impressive inflation performance and rather more on fears that in the short-term the underlying momentum of the economy remains strong with all that implies for vigorous public and private credit demands.

Moreover, the election debate which the economic policy sphere is focusing increasingly on the federal budget deficit and its implications, is forcing Wall Street once again to pay more attention to the ominous long-term economic challenges.

It may not be much comfort to Mr Walter Mondale, the Democratic Presidential candidate, but many economists share the view which he has propounded that no matter how encouraging the economic upswing, the U.S. is now living on borrowed time and that the Reagan administration policies which have spurred recovery have also spawned a daunting array of economic challenges for the second half of the decade.

The clearest sign of the profound reservations which the financial markets harbour about the long-term implications of "Reaganomics" is the fact that, in spite of the encouraging inflation news, interest rates remain extraordinarily high in both nominal and real terms. The prime rate for example is still at the 13 per cent mark.

This is one area where the U.S. economy is still moving in uncharted waters. While it is now clear that, partly because of deregulation in the financial markets, the U.S. can have a vigorous economic upswing with high interest rates, nobody is really sure what the longer term implications are. Does it mean for example that rates will have to rise significantly higher in order to curb growth if inflation does begin to pick up? Or could it be, as Wall Street seemed to hope during August, that high rates will cool the economy down enough so that inflation does not accelerate for the next two to three years, and as a result both real and nominal interest rates finally begin to ease lower?

This hopeful interpretation of the outlook would be easier to support were it not for the fact that in another dimension too the U.S. economy is moving in uncharted territory. The federal budget deficit is expected to hit US$175bn this year and, if the Congressional Budget Office is close to the mark, move higher towards the end of the decade. Were a recession to come in the intervening period the deficit would surge to pose the sort of challenge for policymakers which they would prefer not to think about.

The administration is naturally enough, not ready to concede that the deficit is a serious problem, particularly now that the Republican convention has made it so difficult for a re-elected President to resort to tax increases to help balance the budget.

But the size of the deficit suggests that the fundamental forces which have kept U.S. interest rates high, the dollar strong and sent the trade account dropping deeper and deeper into the red, will remain in place. The implications of this for the world economy are far from reassuring whatever Mr Reagan and his advisers have to say about the short-term benefits to developing and developed countries from U.S. demand for foreign imports.

Mr Volcker has already made clear his unease about the growing dependence of the U.S. on foreign capital, a dependence which is making it increasingly vulnerable to swings in international investors' confidence.

The International Monetary Fund too is becoming increasingly outspoken about the dangers to the sustainability of the world economic upswing from what it sees as the unsustainability over the longer term of the rapid pace of U.S. economic growth, and the enormous budget and current account deficits.

Costs and risks

While the White House can argue that the budget deficit and the high dollar have helped to spread the U.S. economic recovery around the world the costs and risks associated with the twin deficits are, it is feared, rising inexorably. If the stimulative impact of the U.S. economy on the world were to disappear, as some private economists fear will be the case in 1985, the impact which high U.S. interest rates are having in driving up non-dollar rates will only add to the downward pressure on the world economy emanating from a U.S. slow-down.

Mr Stephen Marris, former economic adviser to the Secretary General of the Organisation for Economic Co-operation and now a senior fellow at Washington's Institute for International Economics, has expressed his concern about the danger of a stabilisation crisis for the dollar, a reversal of its current strength which could force the U.S. to tighten monetary policy even further in order to maintain the inflow of foreign currency on which the U.S. now depends and fight the inflationary after effects of a dollar decline.

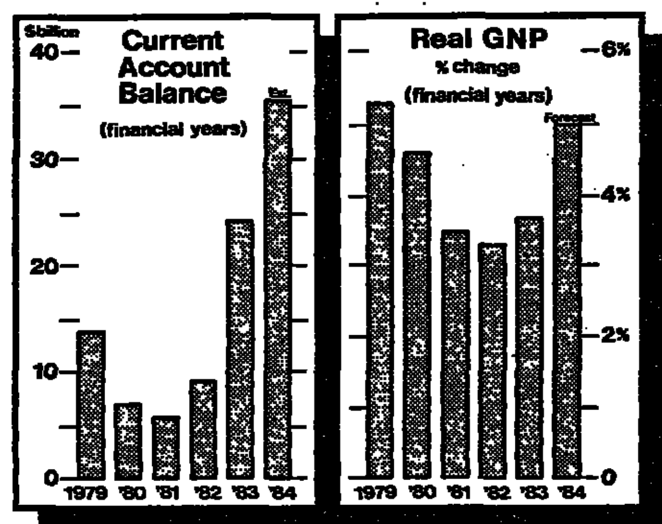
Reagan Administration officials remain confident that a gradual slowing in the pace of the U.S. recovery and the congressional action to curb federal spending which the White House wants, will ensure that these threats will not materialise. It is argued that the quick fix of a sudden tax increase to tackle the budget deficit is still available should a crisis hit.

Such optimism is not widely shared outside the Administration, however, and increasingly the U.S. economy is being watched for signs that it has ceased to be the locomotive lifting the world out of its worst post war recession and is becoming the threat to the sustainability of growth in the rest of the developed and developing world, which many economists have warned about.

Praise and a slap on the wrist

Japan

JUREK MARTIN



THE Organisation for Economic Co-operation and Development (OECD) may prefer discreet, technical language, but it does not always pull its punches. Nevertheless, in surveying the Japanese economy last month, the most it could muster was the faintest slap on the wrist.

Japan probably should consider raising taxes because of its fiscal deficit the OECD said, though conceding this was not the first time it had offered this advice; the yen really should have a higher value, though it added that in the short-term there was probably nothing Japan could sensibly do to achieve this; and Japan should not swerve from the path of financial liberalisation, to which it had committed itself.

But, in sum, the OECD felt itself compelled to praise the overall management of the Japanese economy and the skill with which the Japanese authorities had confronted "difficult policy choices."

It may be that the real Japanese skill over the last year, financial liberalisation apart, has been in resisting the temptation to do anything much.

Government policy making has been remarkably passive. In spite of the size of the deficit, fiscal policy has been, in general, only mildly restrictive, *with neither the 1983 nor 1984* budgets providing much of an economic spur; in spite of the fluctuations in the value of the yen, the discount rate has been changed only once since December 1981 and then with what turned out to be an acutely accurate sense of timing. Monetary policy has been cautious but not too tight.

What has happened is that the Japanese economy, which, of course, never fell as far as those of the West, has essentially recovered of its own accord, or, to be more precise, in conjunction with the U.S. revival. What set Japan on the road to bettering the 3 per cent plus real *growth at which it had been* stuck for three years was the surge in exports, especially to the U.S.

But this is now being replaced, according not only to the OECD but also to both public and private Japanese analysis, with a much more balanced growth, with domestic demand, sluggish for several years, gradually assuming the motive *force*.

Although not expected to attain the heady growth levels of the 1960s, the Japanese economy will probably expand over the next 18 months by something close to five per cent a year (assuming no major reversal in American fortunes). Moreover, this, it appears, will be accompanied by minimal inflation; consumer prices are currently rising by only a little over two per cent a year.

By Japanese standards, unemployment remains relatively high, at about 2.8 per cent, in spite of the recovery already in train. However, this is explained by the growth in the *labour force, especially through* the continued entry of more women into work outside the home.

Probably a better indication of the level of economic activity is that this summer the number of overtime hours being worked was, in manufacturing, 10 per cent up on 1983, while the ratio *of job offers to job seekers had* significantly increased.

With the public sector providing only sectoral and limited technical stimulus, the engines for growth, it is widely accepted, will be, and already are, private capital investment and, increasingly, domestic and consumer demand.

Quality

What impressed the OECD was not so much the nominal increase in corporate spending plans but the quality, in the shape of technological innovation, contained in them.

Moreover, even though some major companies are planning to increase spending appreci*ably—Toyota, for example, has* budgeted for a 27 per cent increase in its 1984 fiscal year compared with 1983—the real drive is likely to come from those small and medium-sized companies who had been most hurt earlier in this decade.

It is these companies, especially in electronics, which may hold the key to Japan's future success and it may be scary to Japan's competitors that it is they who are at present making major investments in that future.

The trickle-down effect of a generally improved economy is also showing up in consumer *spending, now displaying a long* overdue, and still not exactly spectacular improvement. Disposable household income is forecast to rise by about six per cent both this year and next, while the savings ratio is expected to remain steady at a little over 17 per cent (itself, of course, well down on the 20 per cent plus levels before the last recession).

With inflation negligible and consumer finance becoming more readily available, the further evolution of Japan as a consumer society seems logical; it must surely help explain this year's modest revival in housing starts.

This does not, however, mean that Japan will become less of a force in export markets—though it does mean, as recent monthly figures prove, that its import capacity is going up, as is perhaps its more subtle proclivity to buy foreign goods and services.

Nevertheless, it is apparent that Japan is going to continue to run massive trade and current account surpluses for the foreseeable future, with all the consequences this may bring for international trade friction. The OECD may even be cautious in forecasting trade surpluses in 1984 and 1985 of US$41bn and $47bn respectively and current account surpluses of $30bn and $36bn.

The difference, however, this time is that even these surpluses may be matched by capital outflows of an equivalent, or even greater, size.

At present, the statistical data is based on too short a period to provide a reliable guide. But, partly as a result of financial liberalisation which has made capital exports easier, partly because Japan is presently cash-rich and partly because of U.S. interest rates, the long-term capital outflow in May, June, July this year alone exceeded $18bn, the same as in all of 1983, and appeared to be accelerating.

As a rule, current account surpluses tend to lead to a stronger currency, while capital outflows tend to depress it; at least this has been Japan's recent experience.

CONTINUED ON NEXT PAGE

Growth moves into the spotlight

The UK

MAX WILKINSON

HISTORIANS OF the British economy will find it very strange that the exploitation of huge undersea oil reserves at the beginning of this decade should have been accompanied by feeble growth and a rise in unemployment to unprecedented post-war levels.

Since 1978 the Government's oil revenues have risen from less than £1bn to around £10bn a year. In the same period adult unemployment has risen from 1.3m to a current total of just over 3m. Although employment has increased during the past year, the number out of work continued to rise at an average rate of 15,000 per month in the first half of this year.

Most forecasters expect unemployment to continue rising next year and perhaps well into the 1990s. *Even the* more optimistic among the major forecasters expect only a small decline. The London Business School's Centre for Economic Forecasting, *for* example, expects adult unemployment to reach a peak of 3.2m next year before declining to 2.9m in 1987.

Apart from the depressing consequences for the jobless themselves, the waste of national output and the decline of national skills, this large pool of unemployed, amounting to nearly 13 per cent of the total labour force, has serious implications for the Government's finances, and hence, indirectly for its strategy for controlling inflation.

The cost to the Exchequer of each unemployed person, reckoned in benefits paid and the loss of tax revenues has been estimated at around £5,000. In round terms, therefore, the Government's windfall from the North Sea is about cancelled out by the extra cost of higher *unemployment*.

In terms of the Public Sector Borrowing Requirement (PSBR), one of the epicentres of the *Government's financial strategy*, the loss of North Sea oil would raise the PSBR from a projected £7.3bn this year to about £17bn, other things being equal, whereas a fall in unemployment to its 1978 level would bring the Government's finances into a healthy surplus.

Other things would doubtless not be equal, but these figures give an idea of the magnitude of the problem now facing the Government. North Sea oil revenues are expected to reach a peak this year or next and then to start a decline, to around £1bn by the year 2000.

During the next decade, therefore, it is important that the decline in oil revenues should be matched by a steady fall in unemployment, particularly if the Government hopes to keep its strategy for a reduction of the PSBR as a proportion of national income combined with some cut in the burden of taxes.

Central focus

This means, in effect, that economic growth is becoming much more a central focus of economic strategy, than it was when the Conservative Government came to power in 1979.

Five years ago the central objective was to control inflation and — as some Conservatives believed — to tame the unions with the whip of firm monetary policy. *As inflation soared to a peak of 22 per cent in the early summer of 1980, this imperative was seen to blot out all others.*

It is now clear that the Treasury and the Government badly under-estimated the extent to which anti-inflation policies would push up unemployment. This error was compounded by the decisions to raise Value Added Tax and to accept large comparability pay awards in the public sector (the Clegg awards). These measures speeded up inflation just as the Government was erecting a wall of monetary constraints to stop it running away.

This policy would, normally have resulted in a dramatic worsening of the Government's financial position as the contracting economy produced lower tax revenues and the cost of supporting the unemployed rose steeply.

North Sea oil revenues, however, enabled the Government to pursue its strategy for progressively reducing the PSBR as unemployment rose and at *the same time offer some small* tax cuts as the 1983 General Election approached.

That era has come to an end: *any further reduction in the* burden of public borrowing will have to be achieved by public spending cuts and increased taxation or by the effect of economic growth.

For ideological reasons the Government is firmly against increasing the general burden of taxation. It also believes that high taxes inhibit the "animal spirits" of capitalist regeneration.

Ideologically it is in favour of reducing public-sector spending, but after exhaustive studies by the Treasury it is convinced *that the scope for further cuts* is small. The political hazards of cutting health, social security, education or local authority spending are formidable.

As the Treasury observed last March in its Green Paper on public spending over the next 10 years: "It is in the nature of public services that demands are literally limitless, because they are not restrained by the price mechanism which forces those making demands to balance them against costs."

That leaves growth. The Green Paper assumed an average annual growth in national output of 1½ per cent and 2 per cent during the first half of the 1990s and 2¼ per cent for the remainder of the 1980s.

The Treasury declined to say what it believed were the implications of these growth rates for unemployment. This is understandable, for it is generally estimated that an annual economic growth of 2-2½ per cent would be needed to make any significant inroads into the present total.

The Green Paper showed that even if the growth of public spending were held to 1 per cent a year the tax burden would be little changed 10 years hence, while public borrowing could be reduced to about 1 per cent of national income.

But an annual growth of 1 per cent in public spending is an optimistic figure by past standards and would involve a long light squeeze on the volume of some services.

Moreover, the Treasury analysis shows how vulnerable the Government's strategy will be to higher-than-planned growth in public spending or to lower economic growth. growth.

Economic growth of 1½ per cent in the next 10 years (slightly above the average achieved from 1973 to 1979) combined with 1½ per cent annual public expenditure growth (half the average for the *past 20 years) would push the* tax burden to well above its 1979 level of 34½ per cent of national income.

Dilemma

Moreover, this combination of rising taxes, squeezed public expendture and reduced public borrowing would itself tend to retard growth.

This poses a difficult dilemma for the Government because it believes that as long as the threat of further inflation remains the traditional means of reflating the economy are not open to it.

Computer simulations by the Treasury, the London Business School and the National Institute of Economic and Social Research all support the view that a fiscal stimulus could be negated after a few years.

This is because the expansion of domestic demand would increase inflationary pressures, mainly through a lower exchange rate. It is assumed that interest rates would have to rise either in defence of the pound or because of an expansion of the money supply; and this would put a brake on growth after three to five years.

Even so, the Government has clearly been giving much thought to the problem of unemployment and to the question of how best to promote economic growth.

The theoretical groundwork was set in two major speeches by Mr Nigel Lawson, the Chancellor, earlier this year. In April he said that as oil output declines, Britain's real exchange rate (after taking account of different countries' inflation rates) would need to fall so as to provide a stimulus for manufacturing industry and exports.

Then, in his celebrated Mais lecture in June, he drew a distinction between the macro*economic policies designed to* hold down inflation and micro-economic measures (abolition of controls and so on) intended *to stimulate growth*.

Although this lecture did not express any change in Government policy it certainly indi*cated a shift in the focus of* anxiety from inflation to growth —and unemployment).

This shift was clearly evident in mid-August when the authorities moved much more rapidly than the City had expected to reverse the unwelcome rise in *interest rates in July*.

It now seems probable that a gentle fall in the exchange rate would be accepted and even welcomed by the Government as a price for lower interest rates, since both would help growth.

The official policy is still to reduce the inflation rate to zero "eventually," but ministerial statements on this subject have lacked urgency.

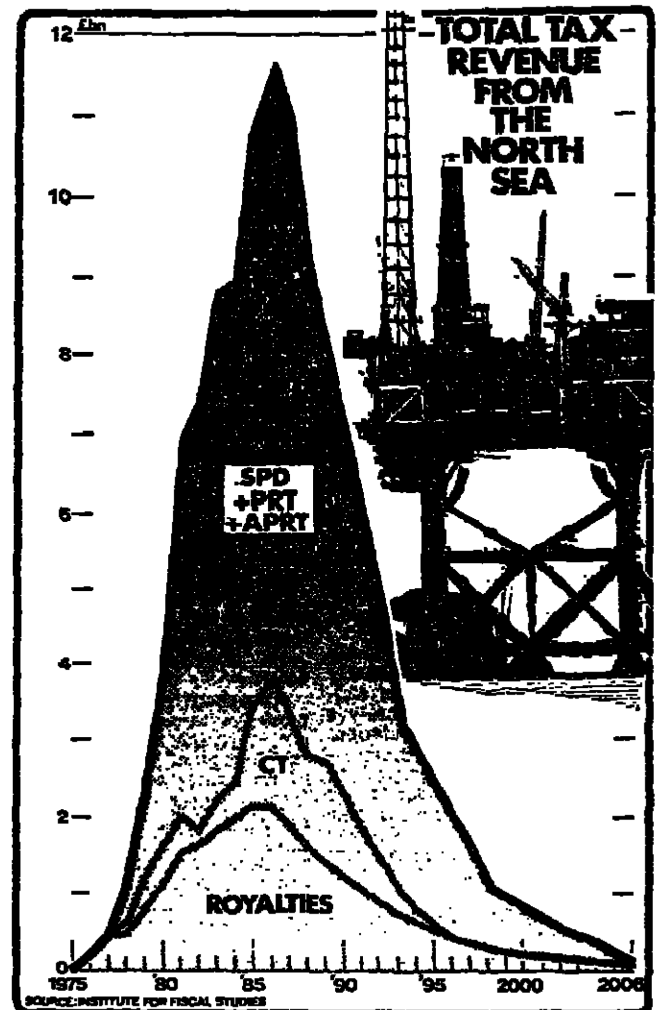
Provided that the inflation rate continues to edge downwards (since it must edge up or down) it seems likely that the Government will keep a careful eye on the short-term possibilities for increasing the pace of growth.

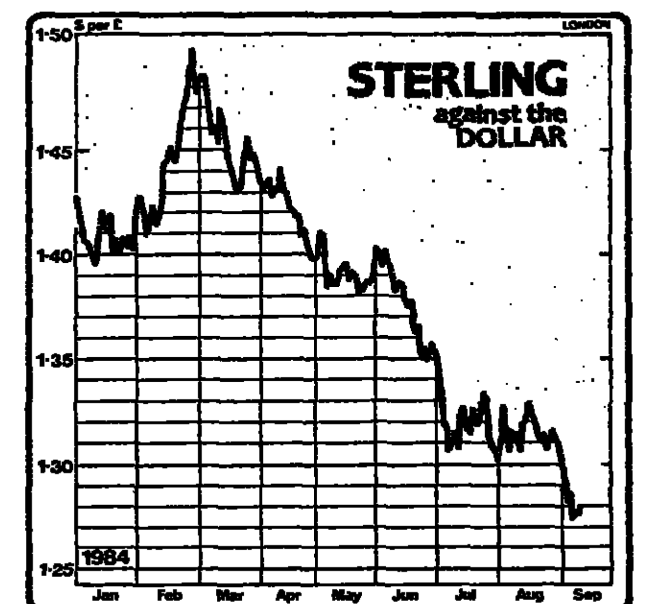
In particular, a gradual fall in the exchange rate could, if it improved the competitiveness of British exports, help to achieve this. But that "if" poses a crucial dilemma. Any gain in competitiveness would be quickly negated if the falling exchange rate led to an upward spiral of price and wage increases as it has so often done in the past.

This pattern could change for the better. Indeed, the Treasury's view last year and at the beginning of this year was that a moderate fall in the exchange rate would have a relatively weak and delayed effect on inflation.

On the other hand, the recent trend of wages, with average earnings up nearly 8 per cent in the past year, provides little ground for hope that the inflationary virus has been neutralised.

See graph on Total Tax Revenue from North Sea.





Praise and slight slap

CONTINUED FROM PREVIOUS PAGE

The trouble is that at present the yen is caught in the dollar vice, less tightly that the currencies of European nations, but tight enough to make predictions of what its rate ought to be fraught with danger.

The Japanese government, and also industry, recognises that the yen does not reflect the strength of Japanese economic fundamentals, but until foreign interest rates and/or the dollar comes down, which is not in Japan's control, there seems little that can be done about it.

The only thing to be said, particularly *as far as relations* with the U.S. are concerned, is that the current magnitude of the Japanese capital outflow, an important means of financing the U.S. deficit, tends to offset the longstanding American complaint that the yen is undervalued.

The process of financial liberalisation on which Japan is embarked should, it is widely felt, eventually lead to a stronger currency, but that could take time.

It should also be pointed out that though the Government—within the constraints of overall austerity imposed by its fiscal deficit—has taken a passive policy stance, there is a fair amount of vigorous debate over the direction of economic policy.

Some of this stems from the deficit itself especially the need to refinance from next year onwards a huge volume of maturing government debt; this, *in turn, has led to considerable* internal discussion on the level of Japanese taxation, generally considered low by international standards, and on the desirability of introducing more indirect taxation (including, possibly, Value Added Tax).

The second area is more political in the shape of the re-emergence inside the ruling Liberal Democratic Party, which is conservative, of a school of thought arguing for more, not less, government economic stimulus.

In a nutshell, this contends that Japan's social capital infrastructure (communications, transportation, education and *housing) is inadequate for* national needs; it implies an annual level of economic growth of more than 6 per cent, above the level deemed desirable or achievable by the bureaucratic planners.

Japan, however, is unlikely to rush into any *radical new* economic direction for nothing contends like success.

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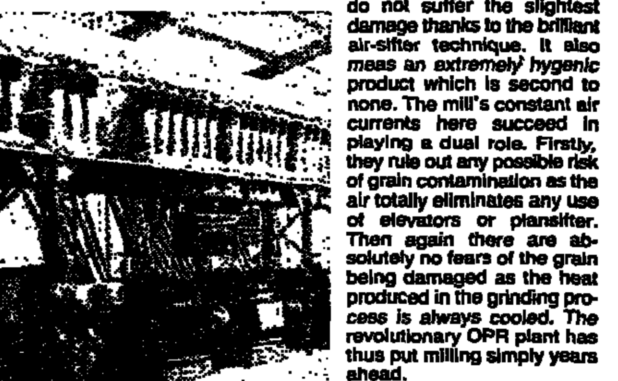
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Danger lies ahead should U.S. recovery be halted

Europe

PHILIP STEPHENS

"STEADY and sustainable growth" is how European governments tend to describe the outlook for their economies.

An observer comparing Europe's slow haul out of recession with the vigorous upsurge in activity and jobs in the U.S., however, might well characterise it instead as "feeble and arthritic."

It is perhaps understandable that Europeans, and especially those in Britain and West Germany, are allowing themselves a measure of self-congratulation.

After the horrors of the post-1979 recession, the prospect of continuing growth—albeit at only around 2½ per cent a year—combined with a further steady decline in inflation can justly be claimed as a real achievement.

To that can be added a reasonably impressive productivity performance, substantial progress by many countries in tackling structural budget deficits, and an improving trade outlook.

The recovery, which the Organisation for Economic Co-operation and Development estimates will generate growth of about 2¼ per cent this year and next, is also showing welcome signs of spreading from consumption into exports and investment.

Inflation, which was running at over 10 per cent in 1981, should be down to 4¼ per cent by the end of next year in the ten European Community countries.

Economists also expect a broader diffusion of growth among the large European economies.

Britain, West Germany and Italy will provide the main engine, but France, which tightened its monetary and budgetary policies much later than its neighbours, is also likely to show more buoyant growth in 1985.

Among smaller nations, Denmark, Finland and Turkey seem likely to achieve above-average growth.

The outlook, however, looks less rosy when measured against the scale of the problems still facing European economies, and the uncertainties surrounding an anticipated slowdown in the U.S.

Growth of between 2 and 3 per cent will be barely sufficient to hold unemployment steady in most European nations.

So while the recovery in the U.S. pushes its jobless rate down towards 7 per cent, the rate in the European Community is likely to climb further next year to nearly 11½ per cent.

In Western Europe as a whole nearly 20m people will be looking for work by the end of 1985, according to OECD forecasts.

And though industrial investment is now reviving quite strongly, Europe has inherited the legacy of years of neglect of its capital stock.

The European Commission estimates that usable capital stock in the 10 European Community countries may have actually declined between 1975 and 1983, while, as a share of GDP (gross domestic product), total investment has fallen steadily since 1970.

High technology

Growth rates in real investment of between 3 and 4 per cent this year and next can hardly be expected to repair the damage and to erode the lead secured by Japan and the U.S. in high-technology industries.

Most European governments—backed by international organisations such as the International Monetary Fund and the OECD—are convinced that the dangers of a renewed inflationary spiral rule out the possibility of reflating their economies to provide faster growth.

Monetary and fiscal policies in virtually all countries are thus destined to remain tight, with many taking an even tougher lineon public spending and budget deficits.

The IMF has no doubts that this is the only tenable strategy.

"The foremost requirement for consolidation of the recovery is the firm application of monetary and fiscal policies continuously geared to maintenance of an anti-inflationary environment," it states in its latest annual report.

It is a view shared by the governments of Britain, West Germany, France and Italy and by virtually all of the smaller European states.

With reflation ruled out, governments are pinning their hopes on structural adjustments to their economies to provide the platform for faster growth—further transfers of resources from the public to the private sectors and greater flexibility in labour, goods and financial markets.

It is a policy prescription that the OECD, which was long wedded to the idea of governments giving a mild stimulus to demand, has embraced with vigour.

Central to the view is that despite the rapid upsurge in unemployment since 1979 European labour markets remain rigid, and workers unwilling to adapt to changing conditions.

Government hopes that the recession would bring a permanent shift in wage behaviour and a more responsive attitude among trade unions have gone largely unfulfilled—witness the recent industrial strife in Britain and West Germany.

What are needed, the OECD believes, are further inroads into entrenched trade union power, slower growth, and if necessary cuts, in real wages, and the removal of minimum wage and other restrictive labour legislation.

That should be combined with tax and regulatory reforms to provide greater freedom for industrial innovation and vigorous efforts by governments to roll back the tide of protectionism.

It is not a strategy, however, which holds out the prospect of a rapid quickening of the recovery, and it is against this background that governments are showing increasing concern about the prospects for the U.S. economy.

The current surge in U.S. imports will probably provide more than a third of the increased demand in other industrialised nations this year. Growth in countries like West Germany is increasingly dependent on exports.

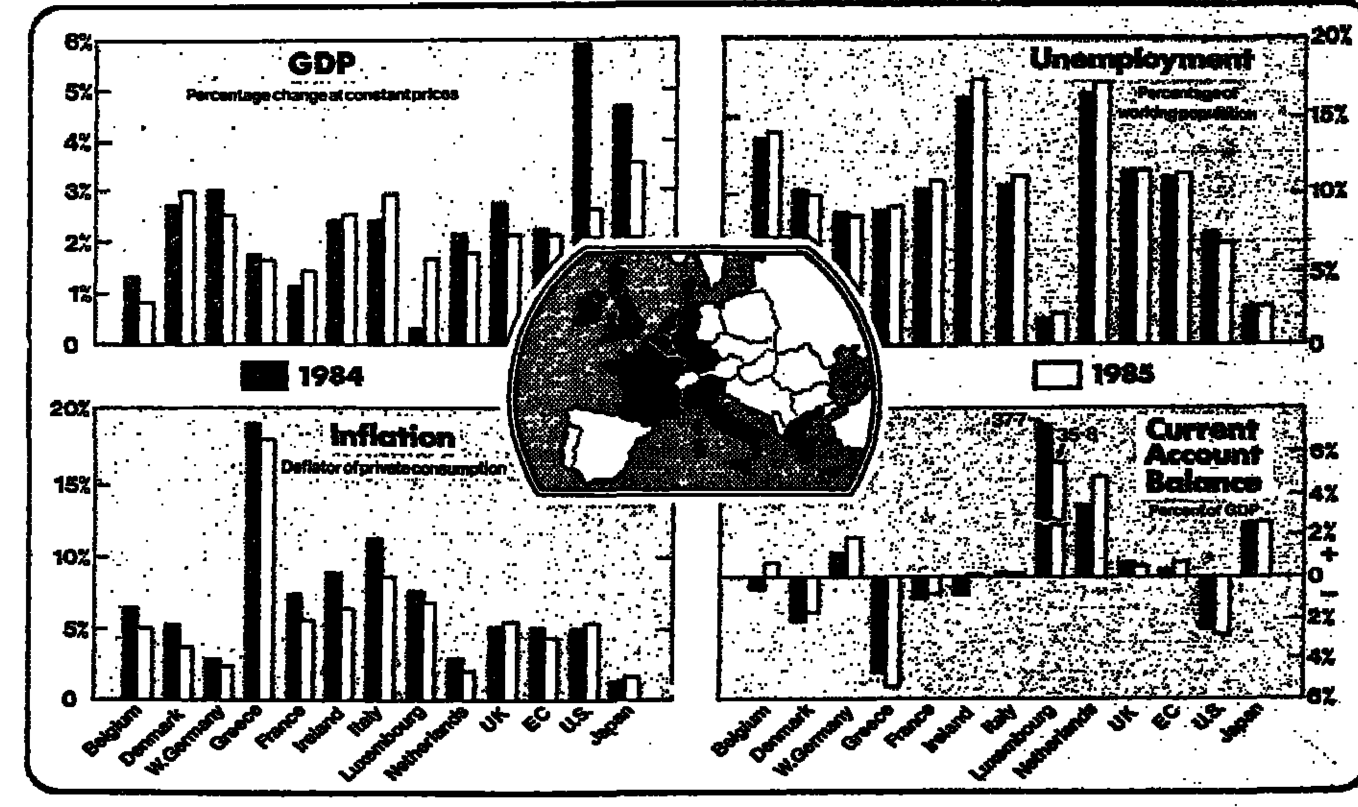
The danger for Europe is that the pressures generated by growing budget and external deficits and rising interest rates could halt the U.S. economy in its tracks next year.

The worst scenario is one in which rising budget deficit combined with buoyant credit demand and tight monetary policy forces interest rates sharply higher, and coincides with a collapse of confidence in the dollar.

"What the U.S. recovery is doing for the rest of the world a U.S. recession could undo just as quickly," the Bank for International Settlements warned in its annual report this year.

And even a "soft landing" for the U.S. economy might hold out considerable difficulties for Europe.

With domestic demand likely to remain subdued the loss of the stimulus from the U.S. could severely dent the already meagre growth in prospect.



No marked shift in trading patterns

Comecon Countries

DAVID BUCHAN

THE BIG event for the 10 members of Comecon—that is to say, the Soviet Union, its six East European allies, plus more distant Cuba, Vietnam and Mongolia—was their summit meeting in Moscow in June.

This was the first time that the Communist party leaders, the highest authorities in these countries, had met on strictly Comecon business since 1969.

It did not produce any radical change of direction. The summiteers declared their intention to expand trade with all partners, and did not call for inward-looking autarchy, as might have been expected in view of recent political and economic ructions in East-West trade.

In this regard, the party leaders confined themselves to urging more Comecon co-operation in electronics and industrial robotics, to counter Western restrictions. Nor, in terms of domestic economic policy, was reform mentioned.

But the summit did set broad guidelines which will affect the terms on which the Soviet Union and Eastern trade with each other and will clearly shape the next set of Comecon five year plans (1986-90).

These plainly exhibit the Soviet Union's feeling of frustration that it has been getting an adequate return for its energy and raw material resources that are getting harder to exploit in the more inaccessible eastern reaches of the country.

Henceforth, Eastern Europe will only be able to count on sure Soviet energy and raw material deliveries, if they provide in return more food and industrial consumer goods and better-quality machinery and equipment.

Vague communiqué

It will be hard for Eastern Europe to wriggle out of this new commitment; the generally vague Comecon communique was quite specific on this. But the commitment may be equally hard to fulfil, because Eastern Europe has just come through a period of severe economic retrenchment that has left its finances (except for Poland) in much better order, but its industrial base shakier than in the late 1970s because of sharp cutbacks in investment.

A few figures aptly illustrate these contrasting developments.

The six East European members of Comecon turned a hard currency trade deficit of U.S.$4bn in 1980 into a surplus of $5.3bn last year, and a hard currency account deficit of $7.6bn into a $2bn surplus over the same period, according to estimates by Wharton Econometric Econometrics, the U.S.-based research organisation.

The Soviet Union, never as much in the red as its smaller partners, also improved its external finances further, to a hard currency trade surplus of $5.5bn and a current account surplus of $4.6bn last year.

All the seven European members of Comecon have continued reducing their net hard currency debt, from a total $71.3bn at the end of 1982 to $63.3bn at end 1983, according to estimates by the Vienna Institute for Comparative Economic Studies.

But the pattern diverges between the Soviet Union and Eastern Europe in their internal economies. While growth in national income rose an average 3.3 per cent last year, after two previous years of decline (1981) and stagnation (1982), to a level more comparable to that of the Soviet Union where national income increased by 3.6 per cent, the use to which this growth was put was very different.

Unlike the Soviet Union, most East European countries channelled the major part of their increase in output into exports, and, again unlike the Soviet Union, they had to make cutbacks in investment to sustain consumer living standards.

Investment slashed

All six East European countries slashed investment in 1982, but all but Poland (which could hardly reduce further) and East Germany (buoyed by West German credit) did so again last year.

In view of this, and the fact that Soviet production of oil, still its most important export to Eastern Europe, seems to have plateaued, there must be doubts as to whether the Comecon summiteers can live up to their respective commitments. Moscow is expecting more food and industrial goods from Eastern Europe. But the region's major food exporters, Hungary and Bulgaria, probably have little extra that can be squeezed out of their farmers for export. Romania might have. But in other countries, like Poland where some reform and Western-financed investment is under way, the domestic market will gobble up any further food increases.

Moscow has complained, with some justice, that East Europeans have tended to reserve their top quality industrial products for sale to the West and supply inferior items to the Soviet Union. But such are still the debt servicing requirements of most East European countries that they cannot afford to forgo hard currency earnings.

Indeed, Eastern Europe will need all its hard currency, if it is to further upgrade the quality of its machinery and equipment, as Moscow also expects it to do, with purchases of Western technology and know-how. Thus, Eastern Europe is in a sort of Catch 22 situation. The result of these contradictory trends is likely to be that there will be no marked shift in trading patterns with the West.

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CAIXA GERAL DE DEPÓSITOS

PORTUGAL

ACTIVITY OF THE C.G.D

DEPOSITS AS AT 31-12-83

	Balance	Growth in relation to 31-12-82 (Thousands of contos)	
Sight deposits	86,832	5,753	+7.1%
Obligatory deposits	67,112	3,855	+4.8%
Term deposits	391,626	104,053	+36.2%
TOTAL	545,370	112,661	+26.0%

(1) 1 conto = 1,000 escudos

TOTAL DEPOSITS MILLIONS OF CONTOS

ASSETS OPERATIONS MILLIONS OF CONTOS (OUTSTANDING BALANCES)

Breakdown of assets operations OUTSTANDING BALANCES — MILLIONS OF CONTOS

SUMMARY OF THE BALANCE SHEET AS AT 31-12-83 (Thousands of contos)

ASSETS	1982	1983	LIABILITIES	1982	1983
LIQUID ASSETS	49,735	61,556	DEPOSITS	432,679	545,370
INSTITUTIONAL APPLICATIONS			CHEQUES AND PAYMENT ORDERS	2,195	3,189
Credit granted	350,273	437,464	CONSIGNED RESOURCES	19,030	48,979
Applications in National Banks	16,036	18,436	OTHER RESOURCES	22,115	[illegible]
Bonds and Shares	22,434	28,707	ACCOUNTS PAYABLE	5,680	8,232
Applications of Consigned Resources	18,865	48,924	SUNDRY ACCOUNTS	30,679	[illegible]
Accounts Receivable	18,217	26,877	PROVISIONS FOR SUNDRY RISKS	13,538	[illegible]
Other applications	4,222	6,089	RESERVES	24,194	[illegible]
FIXED ASSETS	10,040	14,253	PROFITS FOR THE YEAR	[illegible]	[illegible]
SUNDRY ACCOUNTS	59,102	80,236			
TOTAL	558,927	740,394	TOTAL	558,927	740,394